

Tax breaks for lots of people

(Page 104)

BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

SEPT. 20, 1958

Target for '59 Buick:
more of the middle market.
Question: Is the target
still there? (Marketing)

E B POWELL
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GENERAL BUSINESS

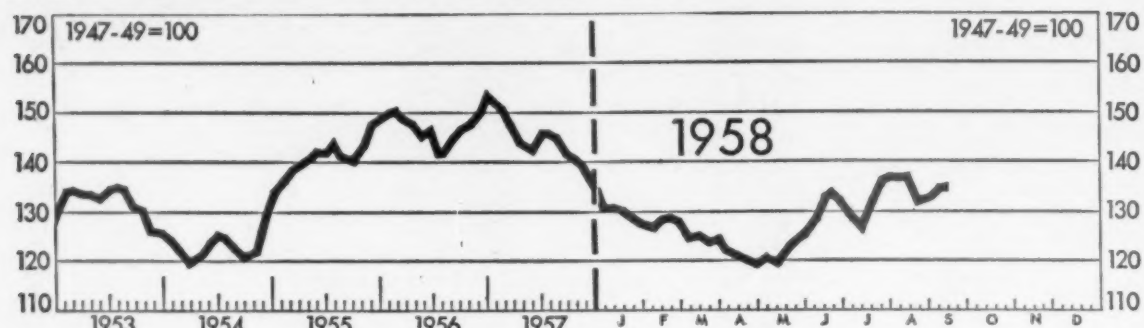
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
91.6	143.0	137.8	†135.0	*135.6

PRODUCTION

Steel ingot (thous. of tons).....	1,281	2,101	1,690	†1,780	1,797
Automobiles and trucks.....	62,880	105,303	75,687	†117,572	32,403
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$58,318	\$67,163	†\$61,562	\$59,794
Electric power (millions of kilowatt-hours).....	4,238	11,947	12,851	12,025	12,248
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,821	6,839	7,060	7,009
Bituminous coal (daily av., thous. of tons).....	1,745	1,716	1,328	1,382	1,416
Paperboard (tons).....	167,269	299,482	294,259	218,998	305,978

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	69	57	61	64
Carloadings: all others (daily av., thous. of cars).....	53	55	47	46	49
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	121	120	149	123
Business failures (Dun & Bradstreet, number).....	22	237	262	191	256

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	409.7	397.6	392.6	392.4
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	89.6	85.9	86.0	85.9
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	84.4	87.7	86.4	86.2
Print cloth (spot and nearby, yd.).....	17.5¢	17.8¢	17.7¢	17.7¢	17.7¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.5	186.3	186.5	186.6
Scrap steel composite (Iron Age, ton).....	\$20.27	\$46.67	\$41.83	\$42.83	\$43.17
Copper (electrolytic, delivered price, E & M.J., lb.).....	14.045¢	26.600¢	26.500¢	26.465¢	26.485¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.12	\$1.85	\$1.94	\$1.93
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.20¢	34.84¢	34.71¢	34.66¢
Wool tops (Boston, lb.).....	\$1.51	\$2.12	\$1.72	\$1.68	\$1.68

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	44.71	47.91	48.19	48.96
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.93%	4.69%	4.83%	4.89%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	4%	1¾%	2¾%	2¾%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	55,671	55,584	†55,509	56,719
Total loans and investments, reporting member banks.....	††71,916	86,581	94,890	†94,298	94,703
Commercial and agricultural loans, reporting member banks.....	††9,299	32,279	29,677	†29,885	30,084
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	24,762	33,665	†32,674	32,664
Total federal reserve credit outstanding.....	23,888	25,408	26,685	26,638	26,661

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Housing starts (in thousands).....	August	55.9	100.0	111.0
Personal income (seasonally adjusted, in billions).....	August	\$178.0	\$352.1	†\$354.2
Farm income (seasonally adjusted, in billions).....	August	\$16.9	\$15.5	\$16.8
Bank debits (in millions).....	August	††\$85,577	\$190,539	\$206,524

* Preliminary, week ended September 13, 1958.

† Revised.

†† Estimate.

** Ten designated markets, middling 11 in.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Herb Kratoch; 33—Ford Motor Co.; 34, 35—Gene Pyle; 40—(top & cen.) W.W. (bot.) U.P.I.; 53—Grant Compton; 70, 71—Herb Kratoch; 82—Grant Compton; 92, 93—Grant Compton; 130—(top & cen.) U.P.I. (bot.) W.W.; 151—U.P.I.; 152—Marilyn Silverstone; 153—(lt.) Ludmilla Shapiro; (rt.) Marilyn Silverstone; 161—Ed Nano.



MR. NO is frustrated. Sales are down. Profits are suffering. "New business is tough to get these days," says he. "So we'll have to cut costs to the bone—even things that have been a necessary part of the business for years."



MR. GO has profit problems, too. But says he: "We have to *go after* new business. We must use more Long Distance calls between sales visits. That way, we'll make more contacts, be Johnny-on-the-spot, keep ahead of competition!"

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BUSINESS WEEK • Sept. 20, 1958

READERS REPORT

Oil Taxes

Dear Sir:

Reader C. A. Williams, of Houston, Tex., in a letter published in Readers Report [BW—Aug. 16 '58, p6] expressed several very common misconceptions about the operations of American oil companies in the Middle East.

I can assure you, and Reader Williams, that this company neither expects nor desires that United States armed forces should protect its investments. . . .

Most countries of the world, including the countries of the Middle East, have income tax laws. Not only oil companies but all American companies operating at a profit in these countries, and all American individuals earning an income in these countries, must conform to their laws and pay income taxes to the host governments on such profits or such income.

The U. S. income tax laws recognize these payments. The Internal Revenue Bureau wisely allows credit for them to all American companies and all American individuals in figuring their U. S. income taxes on money earned abroad. To withhold this credit would subject these companies and these individuals to double taxation on the same income. It would subject shareholders of these companies, in effect, to triple taxation on a portion of their dividends. . . .

RAWLEIGH WARNER, JR.

MANAGER, DEPT. OF MIDDLE
EAST AFFAIRS
SOCOBY MOBIL OIL CO., INC.
NEW YORK, N. Y.

Dual Rates

Dear Sir:

We refer to Congress Adds Two Years to Life of Dual Rates for Ocean Freight [BW—Aug. 16 '58, p83], which contains a most substantial error.

We quote from the article in question: "The traditional system of dual rates for ocean freight got a clear stay of execution last week. Under the system, members of a shipping conference grant reduced freight rates to shippers who agree to use only vessels operated by conference members. Some 98% of the world's ocean traffic moves this way."

The huge tonnage of bulk cargo does not move under that way at all, as, for instance, tankers carrying petroleum and petroleum products—tramps carrying bulk car-

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This *all-in-one* cleaning unit, Finnell's 218G Gasoline-Powered Combination Scrubber-Vac, is indeed the answer to today's need for increasing output per man-hour on vast-area scrubbing. The 218G applies the cleanser, scrubs, flush-rinses if required, and picks up (damp-dries the floor) — *all in one operation!* Independence from power lines permits the machine to go wherever the operator guides it . . . working in and out of production areas with ease . . . scrubbing continuously.

Maintenance men appreciate the labor-saving features of this unit. The gasoline engine starts quickly and easily by pressing the starter button. And there are no switches to set for fast or slow — slight pressure of the hand on clutch lever adjusts speed to desired rate (up to 136 fpm). Two 18-inch brushes give a 36-inch scrubbing surface. *One engine* (2 cyl., 4 cycle, up to 10.1 hp maximum, and air-cooled) operates all working parts. The powerful vac performs quietly.

Whatever the area of your floors, find out what you would save with a *Combination Scrubber-Vac*. Finnell makes *self-powered* models, gasoline or propane operated, in 18, 30, and 36-inch sizes, and also *electric* models in sizes to meet specific needs. It's good to know too that a *Finnell Floor Specialist and Engineer* is nearby to help train your maintenance operators in the proper use of *Finnell Equipment* and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest *Finnell Branch* or Finnell System, Inc., 3809 East Street, Elkhart, Indiana. Branch Offices in all principal cities of the United States and Canada.

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*Originators of
Power Scrubbing and Polishing Machines*



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IN ALL
PRINCIPAL
CITIES

goes such as coal and ores—tramps carrying such cargoes as bulk and bagged sugar, fertilizer, and dozens of other items.

The statement is not even correct as to international cargo which moves on common carrier regular freight liners. For instance, as to cargo moving on international trade routes to and from American ports, never mind the rest of the world, half of the steamship conferences use the conference contract dual rate system and the other half of the steamship conferences operating on American foreign trade routes do not use the conference contract dual rate system. . . .

M. S. CRINKLEY

EXECUTIVE VICE-PRESIDENT

ISBRANDTSEN CO., INC.

NEW YORK, N. Y.

European Experience

Dear Sir:

In your article on aluminum engines [BW—Aug. 16 '58, p44], the European experience in the field is passed over too lightly. Detroit has been woefully backward: Even in diesels, which need stronger crankcases, a British listing of 1938 has 8 times as many aluminum-magnesium engines as cast iron. By contrast, last year's American Diesel Engine Catalog gives only one manufacturer (small) who uses aluminum. . . .

When those aluminum engines are unveiled with appropriate tributes to originality, pioneering spirit, etc., our reaction should be: "Where has this been all our lives?"

JOHN E. ULLMANN

CONSULTING ENGINEER

NEW YORK, N. Y.

Phoney Symbols

Dear Sir:

"What the Administration is aiming for is a general attitude of calm reassurance . . . while throwing the full weight of the government behind a renewed campaign for a balanced budget, a sound dollar, and the other symbols of fiscal conservatism . . ." Problem: "Psychological" Inflation [BW—Aug. 16 '58, p25].

Output-per-man-hour; GNP; consumer price index; stable prices; monetary weapons; government bonds are like corporate securities! These are samples of the phoney symbols which "we've got to restore to the good graces" of house maids, at least. . . .

ALDEN POTTER

WASHINGTON, D.C.

Alouette Sets Six New World Records

Farmingdale, L. I.—Among six records for rotary-wing aircraft established by the Alouette, a jet-powered helicopter, is a new world altitude figure of 36,501.125 feet. This is 6,201.125 feet higher than the one set in December 1957. Official confirmation is expected shortly from the Federation Aeronautique Internationale. The information was released here by Republic Aviation Corporation, who assembles and markets this five-place, French-designed craft in the United States and Canada. All six records were set at the French Air Force Test Center, Bretigny, on June 13, a Republic spokesman stated. Included was a record for climbing to 31,267 feet with two passengers, topping the mark for helicopters in the 2,205-lb. to 3,858-lb. payload class.



BUSINESS BO

ELIZABET

The Alouette* is not only setting new world records abroad, but in the U. S. it is establishing outstanding operational figures daily. One example is its performance for Aetna Helicopters, Inc., flying out of New Mexico for the U. S. Forestry Service. Within 30 days, one Alouette has . . . carried 54,623 lbs. of cargo, 214 passengers—made 246 flights—flown 97.51 hours with an amazing corrective maintenance figure of only 3 hours. Working at altitudes ranging from 7,000 to 10,000 feet every time, as many as 32 missions have been accomplished in one day of operation.

Equally impressive are the Alouette's commercial performances at sea level. Operating out of Louisiana in the Gulf of Mexico, the Alouette II is now serving oil rigs located 72 miles off shore at high temperatures and under maximum gross load requirements.

For fulfillment of private, commercial and government helicopter requirements, the Alouette II offers extraordinary versatility, reliability, economy.

*Designed by Sud Aviation

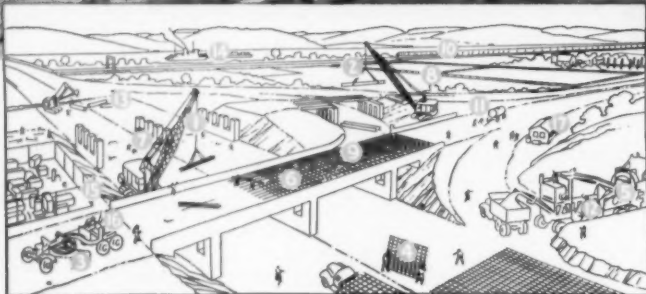
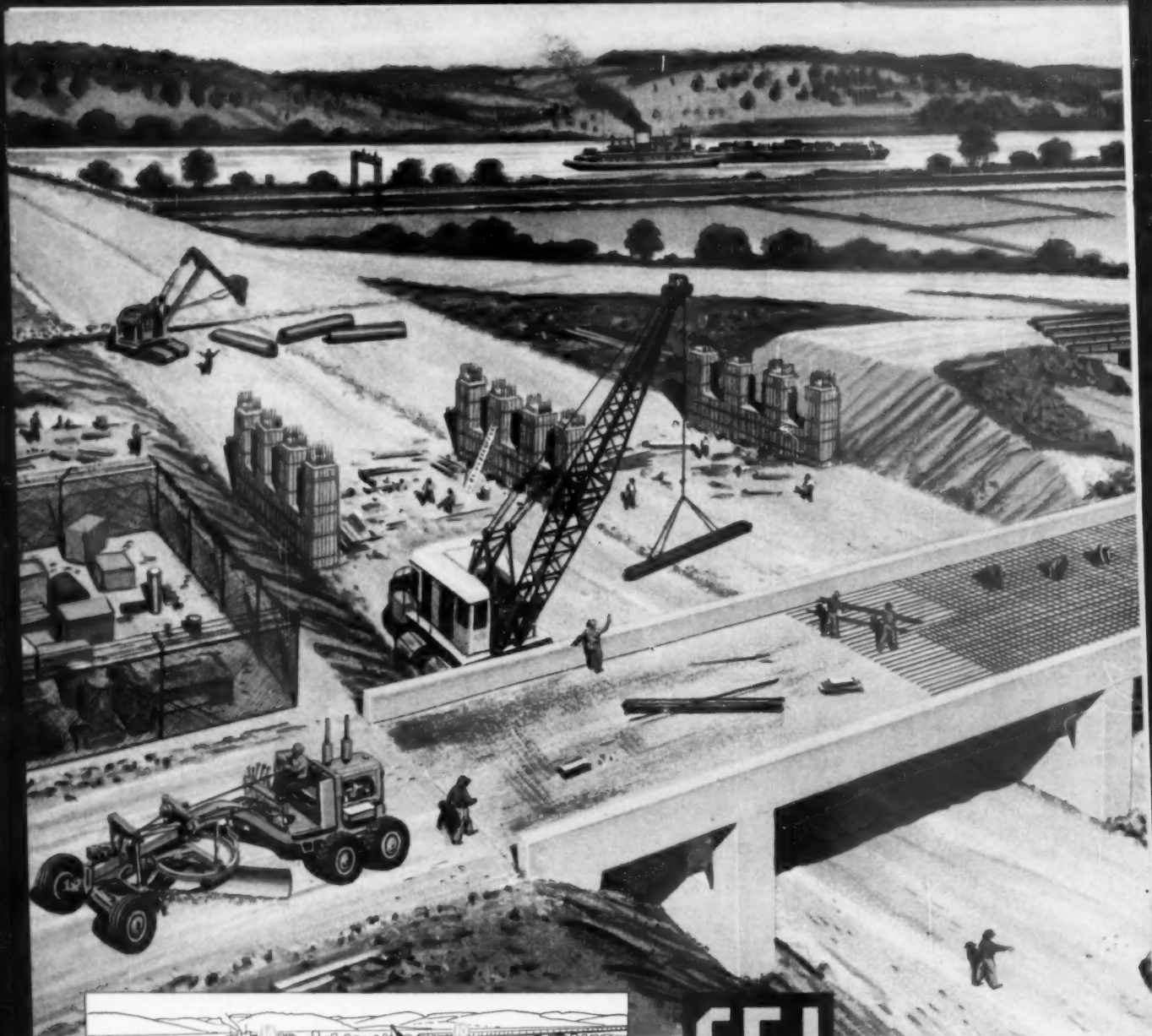
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- ⑬ Claymont Large Diameter Pipe
- ⑭ Claymont Alloy Steel Plates
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From Liberty Mutual: a forward-looking concept
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Protection in

— the real key to lower insurance

**The real cost of your
compensation protection is not the
first price, but the final cost**

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This is why Liberty Mutual—the company with the largest experience in workmen's compensation service—has developed over the years a forward-looking concept of business insurance which gives you protection in depth. From the start of your Liberty coverage, a wide range of skills and resources can be put to work to help you anticipate and avoid accidents and loss, lessen their impact if they happen and keep future costs down.

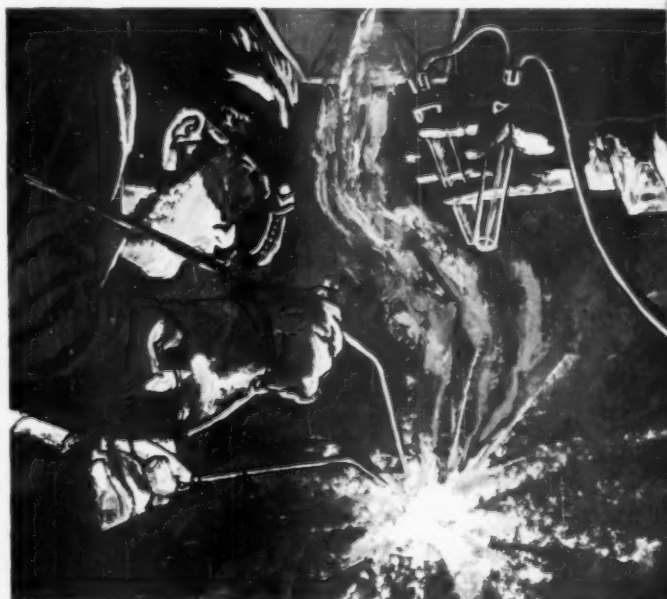
**In today's business climate,
PROTECTION IN DEPTH can be
more important to you than ever**

Today every American businessman—whether he employs 25 people or 25,000—must take a new and careful look at expenses. The protection in depth you get from Liberty can help you trim excess dollars from your insurance costs without sacrificing any of the coverage you need to safeguard the growth of your business.

This kind of protection has enabled Liberty Mutual to set an impressive cost-cutting record. In turn, this has meant steady growth in business written

and a large share of "blue-chip" accounts. Because we deal directly, our salesmen have at hand the experience of the entire company to draw on, and they are expected to have the skill to see that it is applied to the problems of any policyholder, large or small. This direct-dealing, mutual form of operation not only helps policyholders control loss, but is also one reason why over the years Liberty has been able to return more than \$455 million in dividends to policyholders.

We believe that protection in depth can today lead to significant improvement in your insurance cost picture. We invite you to become acquainted with protection in depth now.



depth

costs today



New look at injuries—new savings. In 64 areas of the country, Liberty Mutual retains leading specialists to check the diagnoses of serious cases and assist treating physicians. Result to policyholders: improved medical results and lower compensation costs.



Test for tiredness. At Liberty Mutual's 86-acre research center, a "worker" goes through his paces so that our scientists can learn to measure human effort and fatigue. The goal: new knowledge of when worker efficiency begins to fall off and a good chance to cut down on late-hour accidents and losses.

Seeing invisible danger. Liberty Mutual's industrial hygienists test a new welding process for toxic or explosive vapors. Result for policyholder: fewer occupational illnesses, a healthier shop environment, a closer control of loss.

Behind **PROTECTION IN DEPTH** is the broad range of Liberty's special skills and resources

The services available to Liberty Mutual policyholders are often broader in scope than most other companies or agencies can offer. Many are routine and offered as a standard part of Liberty's work. A few are Liberty exclusives. All are ready for "trouble shooting"—to crack dangerous or money-wasting problems that any policyholder may have. Here are a few of them and how they can be put to work for you in an insurance program that provides real protection in depth:

23 industrial nurses and nine division medical directors to work with your doctors and nurses to establish health maintenance programs, on and off the job.

Two rehabilitation centers to rebuild the self-respect and social usefulness of seriously injured workers and to speed their return to work.

These Liberty "extras," and the others shown on these pages, all have one goal in common: to give you protection in depth. All of them are available to any policyholder—large or small—who needs them. All of them can be put to work to lower insurance costs.



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LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY • Home Office: Boston
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The SYSTEM: Transistor design lowers initial cost, minimizes cooling power and maintenance needs. "Building block" design grows as you grow. Other exciting features: IBM 7070 "reads," "writes," computes simultaneously; provides "automatic priority processing" for most economical use of system time. Ninety-nine built-in indexing words—more than in any other system—mean fewer operating instructions, faster, simpler programming. RAMAC® files provide immediate access to data.

The SERVICE: Unmatched IBM systems know-how is part of every IBM 7070 "package." From education of your personnel to top-notch service engineering, from program planning to testing—IBM men and methods stand by you to assure profitable operation as fast as possible. In addition, with the IBM 7070 you will receive a library of advanced programs at no extra cost!

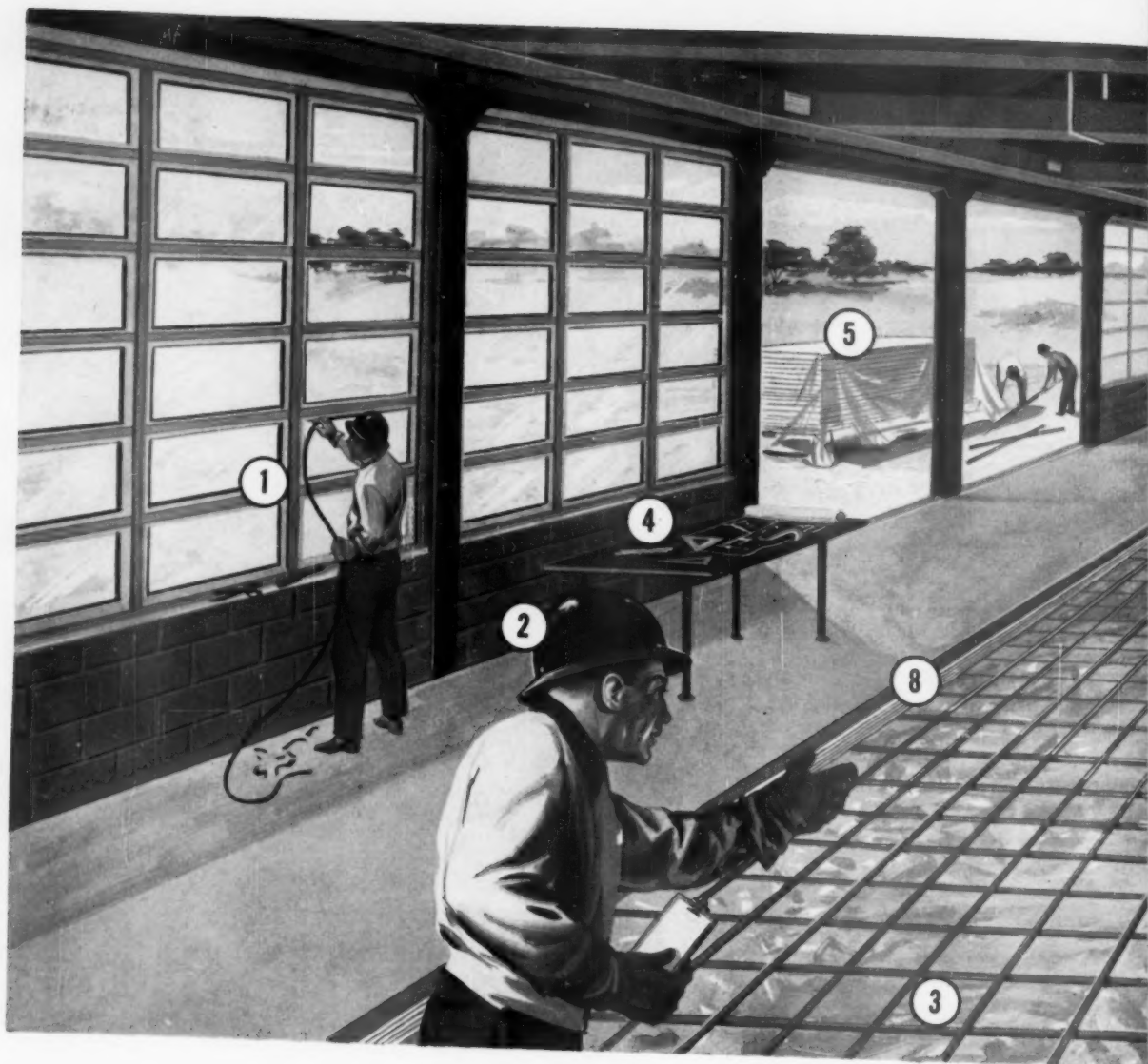
The SAVINGS: Major design breakthroughs make possible lower lease or purchase prices, lower operating costs. For example, the IBM 7070 will sort at least 30% more economically than other computers. And equally important are the savings you make through added efficiency and more complete management information with the IBM 7070.



For further information, call your local IBM representative. Ask for free booklet, "IBM 7070." Or write: International Business Machines Corporation, 590 Madison Avenue, New York 22, N. Y.

IBM

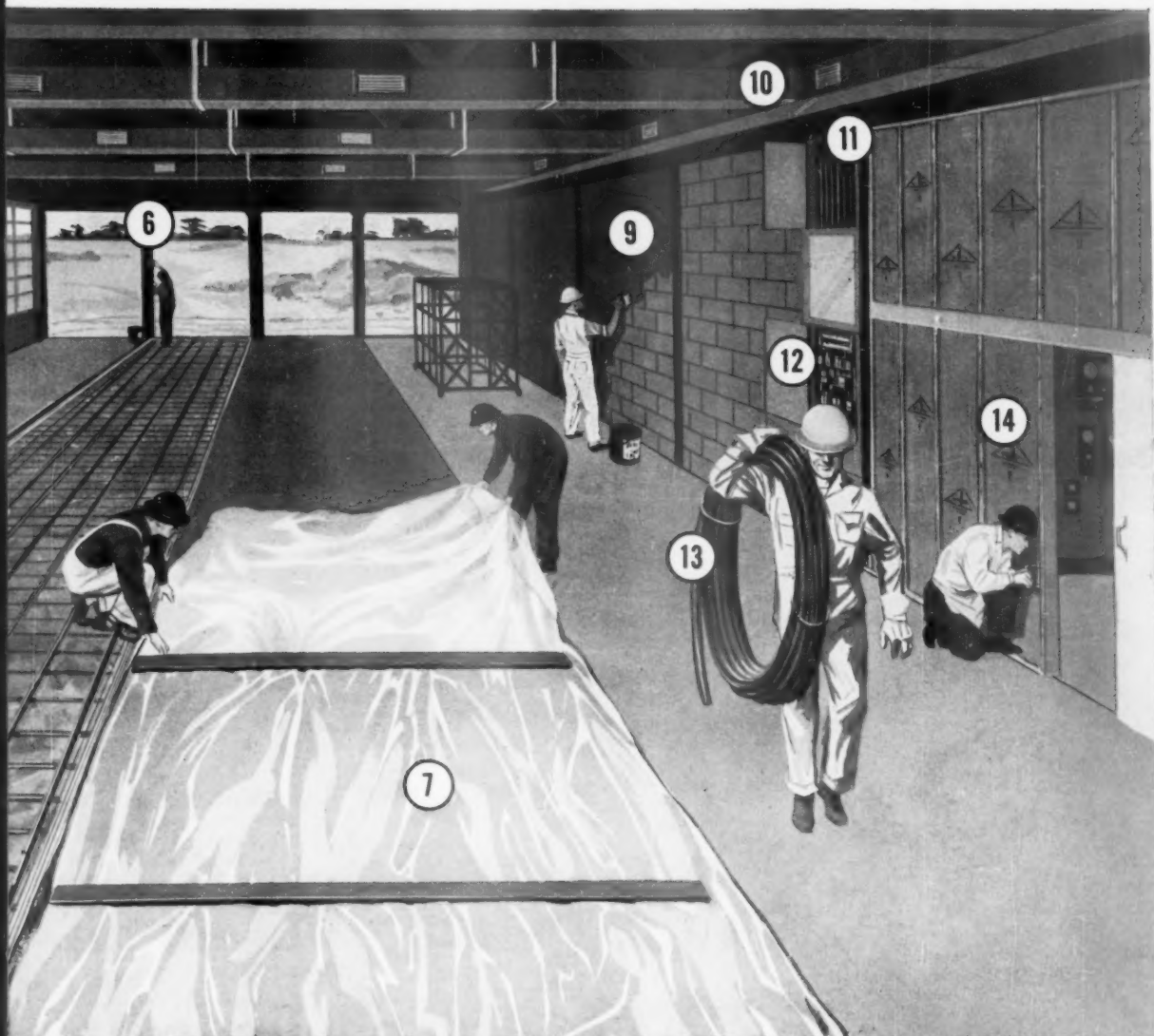
**DATA
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When you see men

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you see...**"BAKELITE"**
BRAND



- ① Vinyl WINDOW SPLINES for tight insulation. ② Laminated SAFETY HATS. ③ Polyethylene film MOISTURE BARRIERS. ④ Rigid vinyl DRAFTING TOOLS. ⑤ PROTECTIVE PLASTIC COVERINGS. ⑥ METAL PRIMERS with plastic base. ⑦ Polyethylene film for CONCRETE CURING. ⑧ Waterproof vinyl EXPANSION JOINTS. ⑨ MASONRY COATINGS. ⑩ Reinforced epoxy DUCTS and VENTS. ⑪ WIRE and CABLE Insulation, jacketing. ⑫ Molded phenolic ELECTRICAL COMPONENTS. ⑬ PLASTIC PIPE. ⑭ Plastic bonded THERMAL INSULATION.

THE BUILDING INDUSTRY is so important in our economy it forms a business barometer. The \$26.7 billion new construction in January-July was a happy sign.

Part of this expansion is due to technical progress... and for constructors, BAKELITE Brand Plastics do new jobs better and save time and money.

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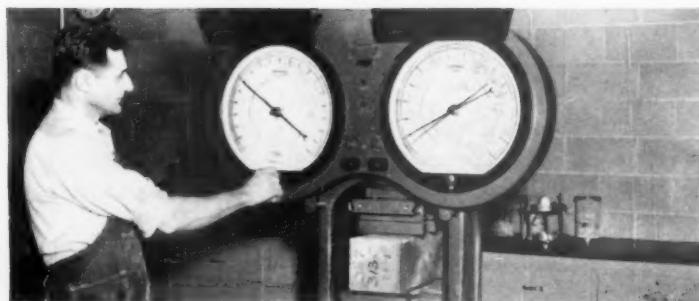
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NEW TYPE

Concrete



**On the Indiana Toll Road,
by paving with**



Concrete gains strength year by year—up to 20% in the first 5 years. Actual tests of flexural strength prove it. Here's a valuable load-bearing "bonus" that only concrete gives taxpayers.



they saved \$9,740,000

CONCRETE

Actual cost figures for the two types of pavement tell the story! Indiana Toll Road engineers drew up designs for both types of pavement . . . each to carry the same axle loads, each to be the best of its type. Realistic comparison of *all* paving costs, from grading and subbase preparation to finished surface, gave the answer: *Concrete would save \$62,436 per mile!*

Indiana's experience demonstrates once more that

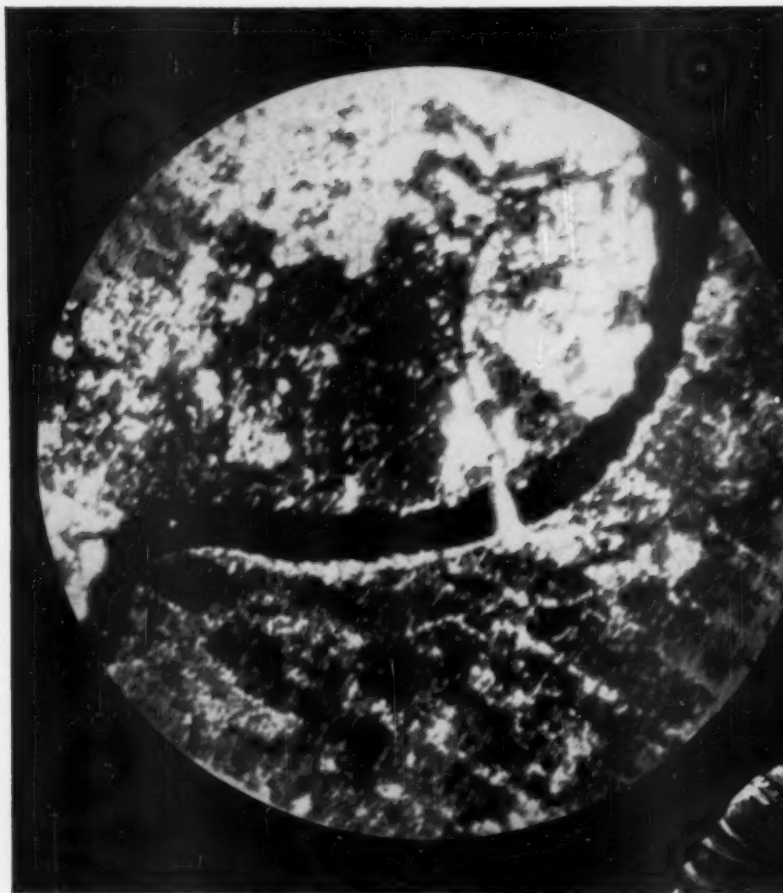
concrete can give lower initial cost. And you get a pavement of mathematically accurate load-bearing strength—with a safety factor for overloads.

Add to this, concrete's life expectancy of 50 years and more, with far lower maintenance costs. Add smoothness (and no thumps) for your driving enjoyment, and all-weather safety the grainy surface gives you. On Interstate highways and all heavy-duty roads, modern concrete puts quality within the budget.

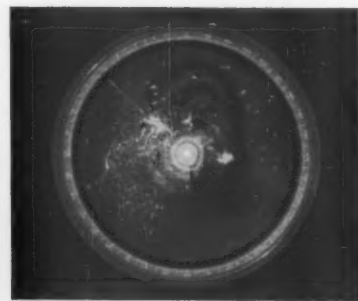
PORTLAND CEMENT ASSOCIATION

A national organization to improve and extend the uses of concrete

Now, not just "blips", but
detailed pictures out of the soup!



New Philco high resolution radar picture.



Conventional radar scope "blip" image.

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From the wonder-world of advanced electronics comes this Space Age "all-seeing eye." Compact enough to be used in a wide variety of advanced operational vehicles, Philco high resolution radar is especially well suited to air and space navigation, reconnaissance and combat area surveillance.

Philco, in conjunction with the USAF Air Research and Development Command, has perfected new techniques in radar signal processing. Called REDAP®, this new system produces clear, detailed pictures of any area in topographic relief, from behind the protective cover of cloud screens, midnight fog or extremely high altitudes.

At Philco, human resources, plus ultra-modern facilities add up to amazing versatility and gigantic capacity. Current activities include research and development in such fields as missiles and guidance, weapons systems, electronic computers, infra-red, communications and navigational systems, as well as advanced radar techniques.

In the wonder world of advanced electronics, look to the leader. Look ahead . . . and you'll choose Philco!

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This SINGLE SOURCE

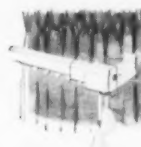
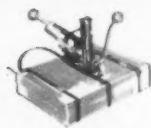
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many of your
component problems!



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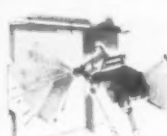
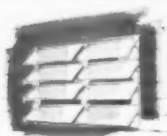
For the name of the Stanley Industrial Sales Representative in your area, write to Stanley Industrial Sales, The Stanley Works, New Britain, Connecticut.



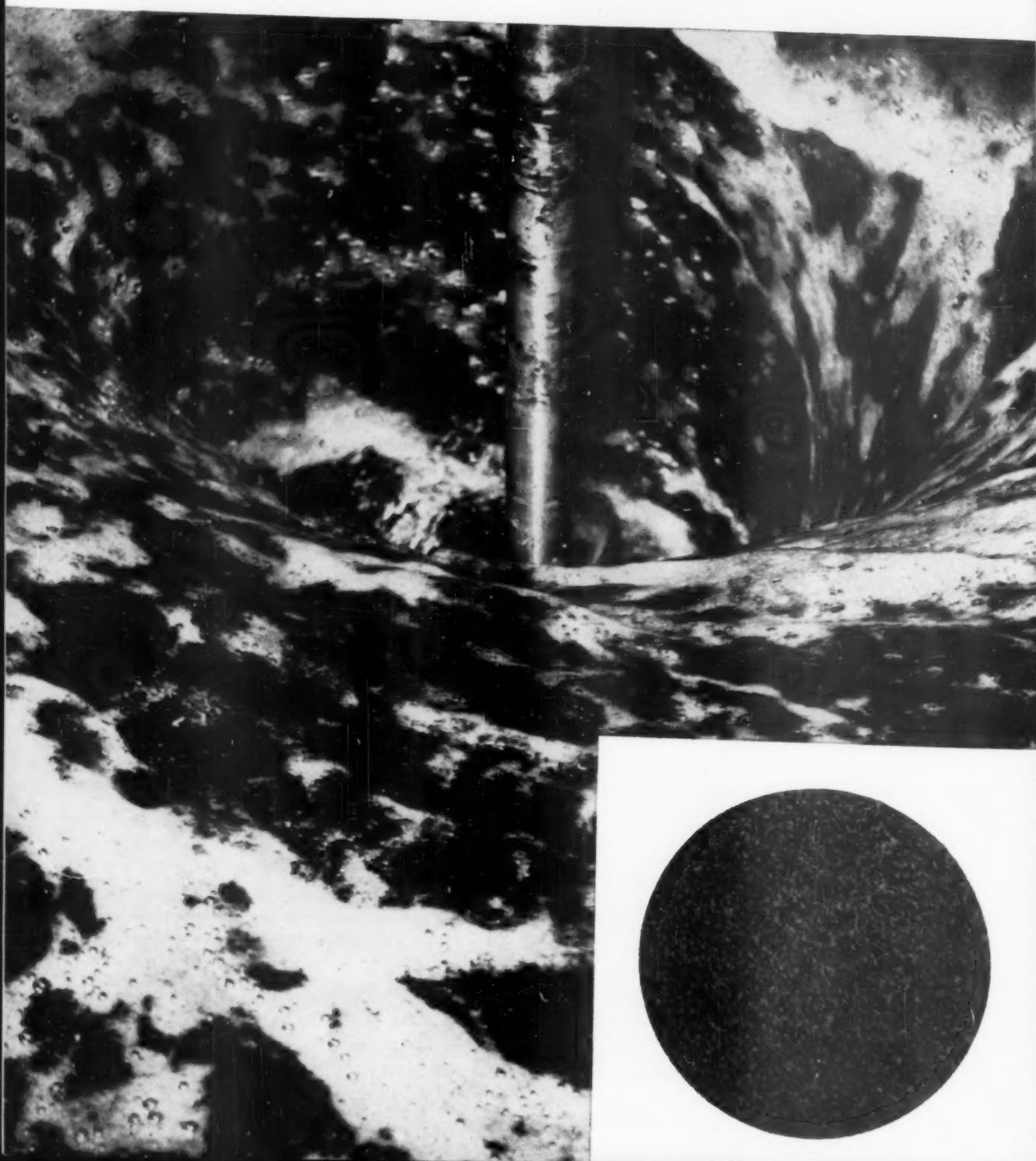
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Goodrich-Gulf offers exclusive on new Ameripol



Try-a-Ton Test Micro-Black masterbatch

OUR GUARANTEE: *Ameripol Micro-Black gives you superior dispersion over conventional dry mixes—reduces your handling costs . . . or the test ton costs you nothing!*

An open invitation to rubber processors.

New Ameripol Micro-Black offers you an opportunity to save time and reduce compounding costs. We invite you to prove this high performance masterbatch with your own testing facilities using your own product—completely at our risk.

Test Micro-Black for batch uniformity, abrasion resistance. This Try-a-Ton Test is the first such offer in the industry. It is made with full confidence that you will find superior batch uniformity with Ameripol Micro-Black, and greater abrasion resistance in your finished product. For Goodrich-Gulf has achieved the ultimate in carbon dispersal with jet-stream agitation at the latex stage.

Cut processing costs. You cut SBR processing costs with Ameripol Micro-Black. No messy, expensive carbon black cleanup, or

storage. You eliminate one complete weighing and milling operation. Warehousing and handling are simplified, because Micro-Black does not cold-flow. It's shipped bareback. And you can remix with no change in dispersion characteristics, for Micro-Black has full compounding flexibility.

Phone or write for Try-a-Ton Test. Let us ship you a ton of Ameripol Micro-Black. Use it to make your product—using your current compounding recipes—compare it with present production. If you don't agree that Micro-Black masterbatch gives you a superior product, saves production time and cleanup time—the test ton costs you nothing.

If you wish, we will have a Goodrich-Gulf engineer give you any help you need. Call HEnderson 2-1000 in Cleveland, Ohio. Ask for J. E. Miller, Vice-President in Charge of Sales. Call him now or mail coupon. When ordering, please specify the type of Micro-Black you desire—Ameripol 4650 (55 part H.A.F. black), or Ameripol 4651 (62½ part H.A.F. black).

Goodrich-Gulf Chemicals, Inc.

General Offices: Cleveland, Ohio • Plants at Institute, West Virginia, and Port Neches, Texas



Jet-stream agitation in the Goodrich-Gulf process assures thorough dispersal of carbon black in the latex just before coagulation—giving Ameripol Micro-Black controlled uniformity, superior wearing qualities and less sensitivity to temperature rise.

Photomicrograph 200X

GOODRICH-GULF CHEMICALS, INC.

Dept. MB-2, 3121 Euclid Avenue, Cleveland 15, Ohio

- ☐ Count me in on your Try-a-Ton Test.
- ☐ Send me Ameripol 4650 (55 part H.A.F. black).
- ☐ Send me Ameripol 4651 (62½ part H.A.F. black).
- ☐ Phone me for shipping instructions.

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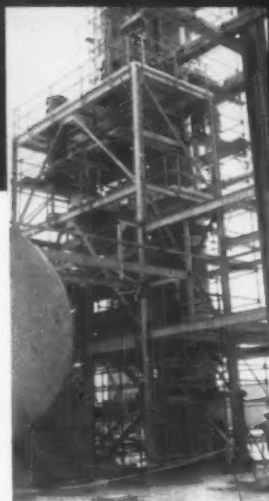
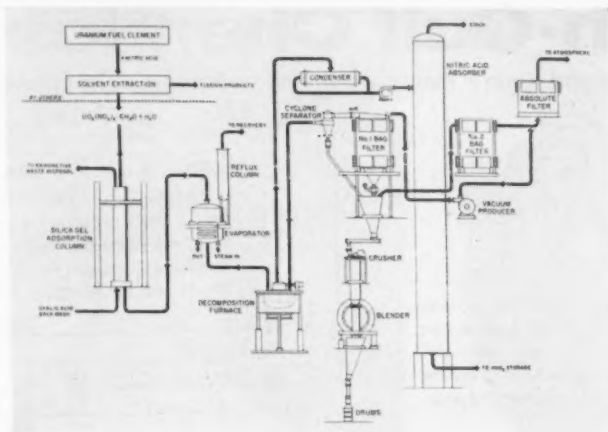


LUMMUS DESIGNS, ENGINEERS, CONSTRUCTS FOR THE NUCLEAR INDUSTRY

World-wide designers, engineers and constructors of over 800 major plants for the process industries in the last half century, Lummus now offers its experience for the development of atomic energy installations. Here are some current examples of Lummus work in this field:

Heavy Water Area, Savannah River Plant. Lummus handled design, engineering, procurement and construction liaison of this area.

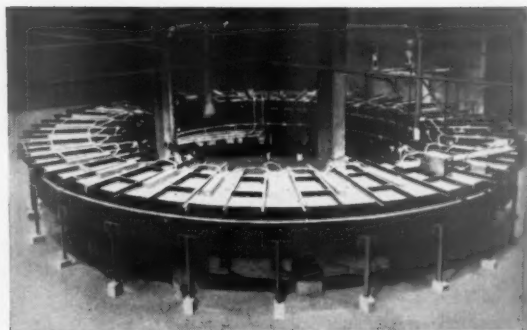
Uranium Oxide Recovery Unit of the Savannah River Plant. Lummus handled design, engineering, procurement and construction liaison of this unit.



Nitric Acid Recovery Unit of the Savannah River Plant Chemical Separations Plant. Lummus handled design, engineering, procurement and construction liaison of this unit.

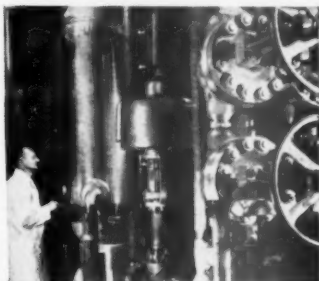


Plant engineered and designed by Lummus for Beryllium Corporation to extract beryllium metal from beryl ore.



Ore sintering furnace used to produce beryllium metal.

Below is the high pressure, high temperature test facility, constructed by Lummus at its Engineering Development Center for the Knolls Atomic Power Laboratory. The facility consists essentially of a pressurized water heat exchange system and demineralizing equipment. Reactor fuel and materials samples are inserted in the in-pile test section for study under controlled conditions of temperatures, pressure, radiation flux, and water conditions.



Pressurizer, main flow control valve, loop block valves.

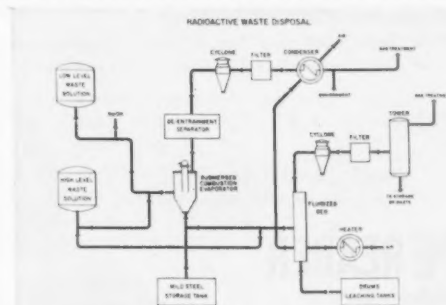
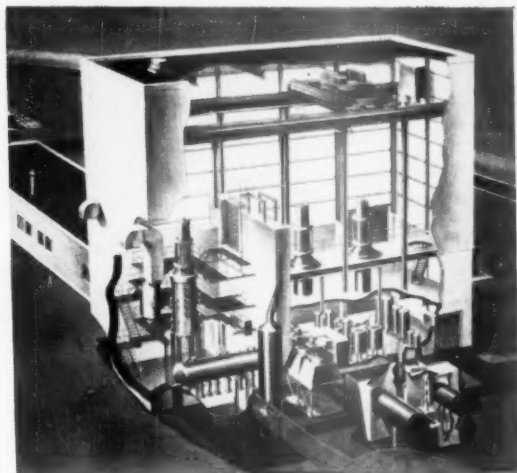


Test Loop Control Panel.



Four loop pump volutes with special cover plates for hydrostatic testing.

This high temperature test facility was designed and engineered by The Lummus Company under sub-contract to Westinghouse Electric Corporation, Bettis Atomic Power Division. Its purpose is to make criticality measurements and to determine flux distributions in water moderated reactors operating at low power levels and elevated temperatures and pressures.



In the not too distant future, large volumes of radio-active wastes will be forthcoming from power reactor operations. Great quantities of this material are now being stored in costly underground tankage. We believe that it would further reactor development to have a more economical and safe waste disposal system to take care of the large radio-active waste volumes. The Lummus approach to this has been directed toward utilizing known engineering techniques which require special consideration due to the unique problems associated with radio-active waste.

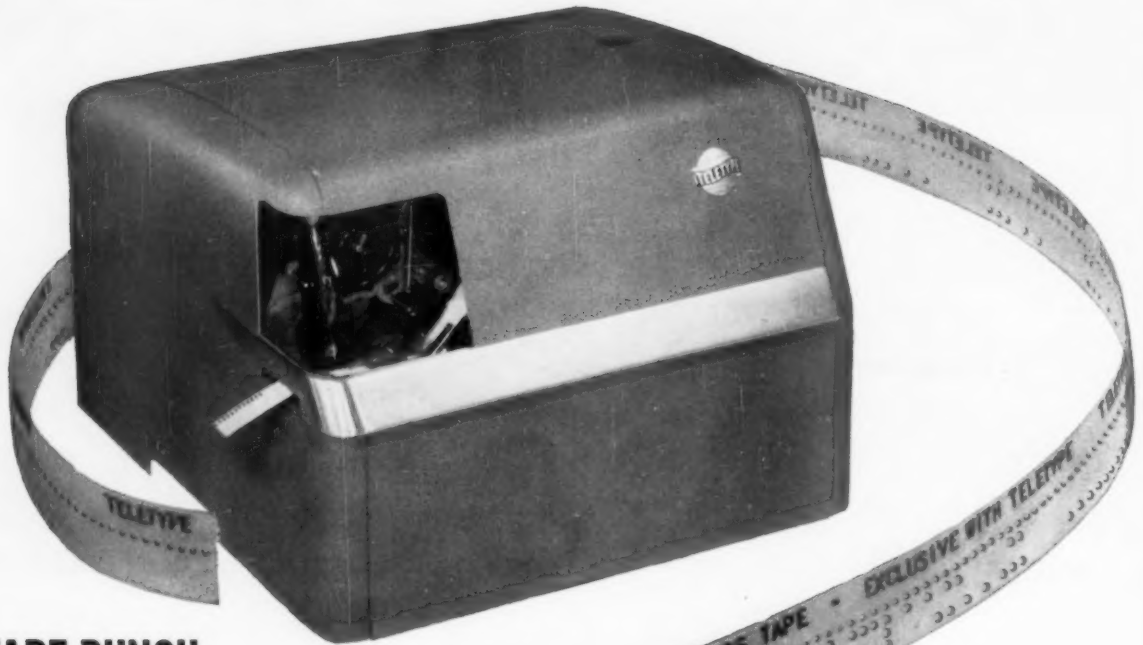
Lummus' extensive experience in evaporation, entrainment, condensation, fluidization, material handling and other unit operations, is available to design and engineer radio-active waste disposal systems of the type shown here.



ENGINEERS AND CONSTRUCTORS FOR INDUSTRY THROUGHOUT THE WORLD
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Two **NEW** Teletype tape



TAPE PUNCH

*Teletype Model 28
Typing Reperforator*



TAPE READER

*Teletype Model 28
Transmitter-Distributor*

units speed work, cut costs

More uniform work loads, greater accuracy, lower cost, faster handling, greater operating efficiency in:

- sales, sales analysis, warehousing, accounting, purchasing, production control, shipping, receiving, manufacturing;
- communications, data processing, automation and paperwork simplification.

These new punched tape units offer you the opportunity of extending your communication and business systems into new departments at a relatively low cost. They can be used individually . . . or in combination with other Teletype equipment . . . or with such business machines as computers, calculators and card punches.

All advanced Teletype Model 28 features—operation at 100 words per minute, handsome styling, compactness, extremely quiet operation, modular design, metal clutches that require oiling only once or twice a year.

TAPE PUNCH • The Teletype Model 28 Tape Punch is a receiving unit—for message relaying in communication systems . . . integrating data from several sources into a single tape . . . monitoring . . . by-product tapes.

Features and Specifications:

1. Receives incoming sequential signals and translates them into punched code combinations in tape.
2. Types corresponding characters on the tape.
3. Provides facility for parallel-wire output of incoming signals, with simultaneous punching of tape, for control of external equipment.

Speed 100 wpm (or lower speeds where required for compatibility with existing systems). Produces chadless (partially punched) 5-level code

tape, $\frac{1}{16}$ " wide. Prints on tape. Dimensions, a compact $9\frac{1}{2}$ " high, 13" wide, and $14\frac{1}{8}$ " deep.

TAPE READER • The Teletype Model 28 Tape Reader is a transmitting unit. When punched tape is fed into the unit, it "reads" the code combinations and automatically sends them to their destination. Serves as a sending unit in communications systems . . . read-out device for business machines . . . control mechanism for automated equipment.

Features and Specifications:

1. Translates code in perforated tape into electrical impulses for sequential transmission.
2. Translates code in perforated tape into electrical impulses for parallel-wire transmission.
3. Receives electrical impulses from external parallel-wire source and translates them for sequential transmission.

Operates at 100 wpm (lower if required). Handles chadless or fully punched tape. Dimensions $6\frac{1}{4}$ " high, 9" wide, 16" deep.

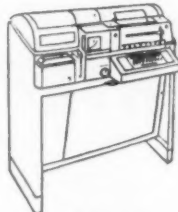
MORE INFORMATION • For descriptive literature on the new Punch and Reader—or other units in the Teletype Model 28 line—please write to Teletype Corporation, Dept. 10J, 4100 Fullerton Avenue, Chicago 39, Illinois.



MODEL 28 PRINTER,
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handling costs, scrap loss, taxes, etc. You gain complete flexibility of steel supply without long-term commitments . . . and assure a ready, steady flow of material to keep production stepping. You're never caught short . . . you're never overloaded.

Ryerson's size, facilities, staff and service *attitude* assure dependable delivery to meet regular schedules or to handle special short-run orders. Whatever you need, this unsurpassed source of Certified Quality steel is at your finger tips. Phone your nearby Ryerson plant today.



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BUSINESS OUTLOOK

BUSINESS WEEK

SEPT. 20, 1958



New labor contracts in Detroit seemed just about all that we needed to assure record retail volume in the fourth quarter.

Whether it's a big record or only a small one depends almost entirely on how well the public likes the 1959 autos.

Personal income and retail sales are heading the same way—up.

This is in no way surprising. It would be more remarkable if, with income rising, store volume didn't follow along.

Yet this is what we've all been looking for, and here it is.

Of the two, personal income is making the better showing. That should underpin a good holiday season—if not a brilliant one.

Personal income is setting a new high even in the current quarter.

When the Commerce Dept. tots up the figures, the annual rate should be about \$357-billion against \$350-billion last quarter. (The previous peak was \$351.8-billion in 1957's second quarter.)

What people have to spend—the personal income left over after taxes—gained almost 2% from the second quarter to the third. But, of this increase, they appear to be saving about as much as they're spending.

Thus the rate of saving probably has jumped nearly to 7½% at the present time, after running below 6½% of disposable income for about a year.

Expansion in saving, as we pull out of a recession, is a perfectly natural thing. There's an element of caution. Moreover, with unemployment still relatively high, income is unevenly distributed.

Yet the growing nesteggs will be handy as Christmas comes closer. And who knows? Some of the money may even be earmarked for new cars.

Retail sales have done well enough, thanks entirely to spending for softgoods. There was a gain from the first quarter to the second, and the third is showing further improvement.

But even in the current quarter, over-all volume of all types of stores will do well to pull even with the fine showing a year ago.

July was behind by an estimated 1.8% and August by 0.6%.

As things look now, retail sales of softgoods for the third quarter should be about 3% ahead of a year ago. However, hardgoods are running behind by something worse than 10%.

Actually, it looks as though the portion of disposable income people are putting into hardgoods is at a postwar low—lower even than the 11.6% spent on durables in this year's second quarter (BW—Sep. 6 '58, p27).

A little less saving, a little more use of installment credit, and hardgoods could look a lot better in the fourth quarter. In fact, it seems alto-

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
SEPT. 20, 1958

gether possible (if not quite probable) that the proportion of consumer spending on such merchandise will rise to its best level in a year or more during the next three months.

This could be true if autos did only as well as in last year's fourth quarter; those figures, sad as they were then, would look good now.

—●—

Housing starts continue to put a hopeful light on future construction volume—and demand for appliances and home furnishings.

Work was begun on privately financed dwellings last month at the estimated annual rate of 1,170,000. This was 10,000 better than the July figure, previously the recovery's highwater mark.

—●—

Good increases in production of both durable and nondurable goods during August (after allowance for seasonal factors) helped carry the Federal Reserve Board's index to another recovery high.

The August index number is computed at 137, 3 points better than in July and up 11 points from the low in April.

On this basis, more than half the recession loss has been regained.

Hardgoods output still has a considerable way to go to reach its 1957 peak (164 against 144 now). On the other hand, softgoods pushed to a new high last month on a seasonally adjusted basis; the Federal Reserve's index for nondurables, at 134, is 2 points above the old top.

Production gains last month were distributed pretty well across the board with the major exception of autos. Due in large part to the early changeover for new models, autos had their worst month of the decade.

After due allowance for the shift in changeover dates, the Federal Reserve computed last month's output at 95% of the 1947-49 adjusted rate. But the unadjusted figure was only 53% of the 1947-49 average.

A year ago, the August index number was 154.

—●—

This year will probably see the smallest increase in the number of autos on the road since postwar production hit its stride.

The average rise since 1950 has been nearly 2½-million cars a year; this year it won't be even half that much.

Close to 5-million new cars will be registered this year. But even if scrappage of old cars falls 10% from last year's 4.4-million, the net addition would be little over a million.

—●—

Metal markets this week looked the healthiest in a long time.

Demand for copper, already reviving, was quickened by another of the recurrent strikes in Rhodesia. Zinc and lead seemed to be bolstered by the London talks of international restriction schemes.

The price of lead was advanced ¼¢ at midweek and custom smelters raised their copper quotation to the 26½¢ a lb asked by major producers.

Having \ terrible time! :-? wish you were here!!



... Wild man dictation? Ah, but a wild man executive! No drawer space, no work area, clutter piling up, driving him C-R-A-Z-Y! Nobody else gets much done either. Unhappy, unprofitable situation — getting worse by the minute!

Then along came the Invincible Man with the office plan

... with a plan to transform the battle area into a haven of efficiency. An Invincible executive suite (stunning new *Mono-Wing* Modernaire desk with smart *Aerogrill* pedestal, plus modular grouping of Modernette lateral work area and wall ensemble). Our now amiable executive gets more work done with less effort and, obviously, without misery. Simple when you know how — as the Invincible Man certainly does. He offers planning service to solve

any office bottle-neck — and the world's finest steel desks, modular units, chairs, files, for all executive, professional and general office requirements.

*Not really wearing shining armor, the Invincible Man is nevertheless a doer of great deeds. Call on him without obligation for periodic office check-ups. Meanwhile, send coupon for colorful Invincible brochure, and Planning Survey form for noodling out your own office ideas.



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Without cost or obligation please send Invincible brochure and a survey form from the Invincible Planning Kit.

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Firm.....

Address.....

City.....Zone.....

State.....

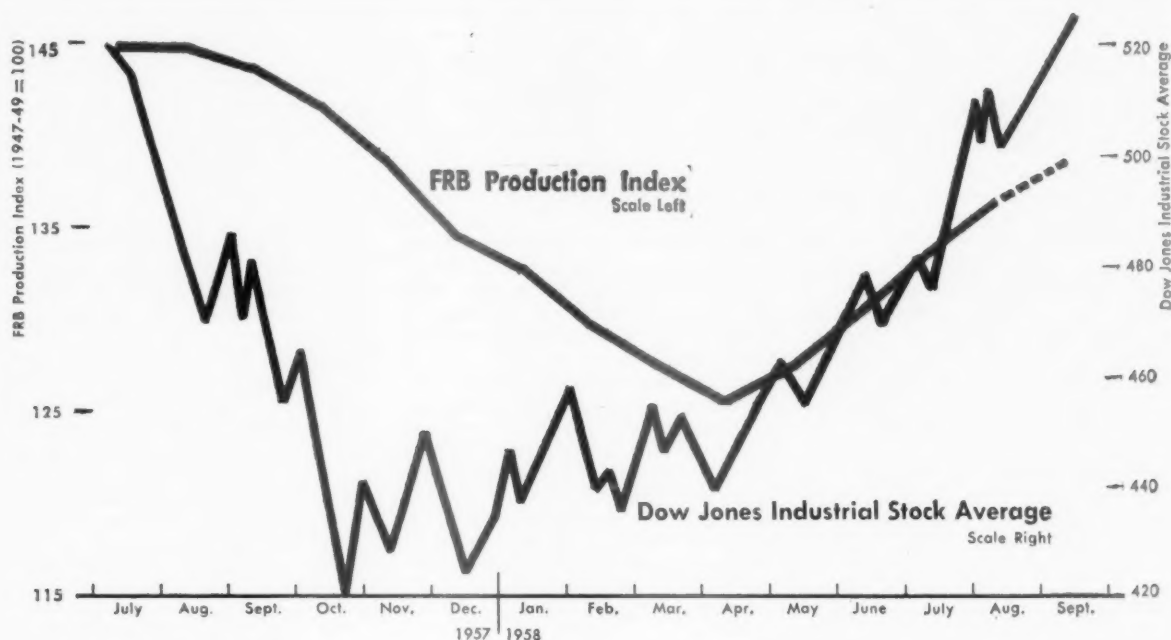


Parts determine maintenance cost

Few parts have so direct an effect on maintenance cost as the bearing. For the bearing is always the focus of action—of wear and tear in any machine—in any plant. The choice of high maintenance cost or low maintenance cost is often made when bearings are chosen. No other bearing producer offers you as much experience in making the right choice as **SKF**, makers of the most complete line of ball and roller bearings.

7828





Data: Federal Reserve Board; Dow-Jones.

A New Faith Bolsters Stocks

Spurred both by the sharpness of the business recovery and by fears of inflation ahead, investors this week sent stock market prices soaring to an all-time high. In doing it, investors seemed to be viewing stocks in a new way—not in the 1929 “new era” sense, but in a way very different from the view held for the past 30 years.

Measured by the Dow-Jones industrials average, the market broke past the old peak of 521 that it reached in 1956 and again in 1957. Most Wall Street professionals are betting that the climb will continue—to 550 or even 600. Some think that a correction is due, but very few of them feel that this will be more than a mild and temporary gap in a continuing upthrust.

• **Paying No Mind**—The tightening of credit has not interfered with the new bull market. The market scarcely paused last month when the money managers increased margin requirements to 70% from 50%. And last week investors again blithely paid no heed when New York's Chase-Man-

hattan Bank—responding to the New York Federal Reserve Bank's increase in the discount rate to 2%—led a nationwide move toward higher borrowing costs by raising its prime lending rate to 4%. Investors were far more impressed by the continuing rise of industrial production.

It's plain that business has snapped back faster than was generally expected. And, although autos remain a question-mark, investors are convinced that there will be no faltering in the over-all upturn. But that bright immediate prospect is not the only cause of the market's breakthrough. What's even more important is the new and elevated status of common stocks as an investment medium.

I. AT&T Moves In

The latest confirmation of that status was the announcement that American Telephone & Telegraph and most of its 32 operating subsidiaries, which together have amassed \$2.6-billion in pen-

sion funds, are buying common stocks for the first time. AT&T's directive authorizes New York's Bankers Trust Co., which manages the funds, to put up to 10% of the assets of the entire pool into equities listed on registered stock exchanges.

Until now, the Bell System had confined its pension funds to high-grade bonds. As one of the most sophisticated and conservative investors, it felt that the safety and return provided by fixed income securities met the objectives of the pension fund. Now, the decision to move into stocks clearly implies its belief that the income from bonds cannot keep pace with the gradual depreciation of the dollar.

This does not mean that AT&T is becoming less conservative; it is following a policy already adopted by many other conservative institutions—insurance companies, charities, colleges. Moreover, AT&T officials point out that only 10% of its portfolio will be in stocks. As it is unlikely that any bonds will be sold to buy stocks, it will

probably take a year or two before this ceiling is reached.

- **"A Small Bet"**—According to one Bell official, the 10% ceiling represents "only a small bet on inflation." But other institutions feel that what is small to AT&T is king-sized to anyone else. AT&T puts about \$220-million in fresh funds into its portfolio each year; if even half of that went into stocks, it would represent huge buying power that will tend to bolster stock prices.

It's estimated that by the time Bankers Trust reaches the authorized 10% of the portfolio, the Bell pension funds may have as much as \$300-million in stocks—more than the entire portfolio of many mutual funds.

Thus, even though AT&T followed rather than led the move into stocks, its action is considered decisive by the investment community. As the largest group of corporate pension funds, its policies have immense importance. Institutions that have already taken the plunge into stocks feel that their action has been confirmed—and may now accelerate equity purchases. Those that have been undecided are unlikely to remain holdouts.

- **Tagging Along**—The managers of one large union pension fund, whose portfolio is almost 100% in bonds, said this week that they would follow AT&T. Other corporate pension funds are reported ready to switch—among them are some of AT&T's 32 subsidiaries, which have not yet approved the change.

This favoritism toward stocks is largely due to the fear of inflation. That fear emerged sharply during the 1957-1958 decline, when prices, particularly consumer prices, continued to climb. Bell officials say their decision was not based on this, but had been "incubating" for a considerable period. Yet they are impressed with the long-term trend of stock prices, which, they note, has kept pace with the decline in the purchasing power of the dollar.

II. New Respectability

They also contend that common stocks have acquired "respectability," and are no longer regarded as risky speculation. AT&T's own purchases, of course, will heighten this respectability. But there's no denying that their status has already undergone a radical change. As recently as 1951, life insurance companies in New York were forbidden by law to invest in equities. Then the law was relaxed to allow them to put 3% of their funds in stocks, and last year, this ceiling was hiked to 5%.

Moreover, common stocks are more popular than ever. This year a number of new mutual funds were established. Two of Wall Street's old-line firms, Lehman Bros. with the One William

St. Fund and Lazard Freres with the Lazard Fund, were overwhelmed by the public's response.

- **New Resistance**—The performance of the stock market over the last months is being cited as evidence of the new respectable status of equities. After the Dow-Jones hit 521 in July, 1957, when the Fed's industrial production index achieved its high of 146, stocks began sliding. The average dropped 100 points—or 20%—over a four-month period, far faster than the decline in industrial activity. But then stocks began to recover, despite the fact that the decline in business worsened.

- **Bulwarks**—There were a number of reasons for the market's resistance to a further decline. The purchasing power of institutional investors, who are constantly amassing new cash, was an important prop. So was the Fed's loosening of credit and lowering of margin requirements. In addition, dividend cuts were not so widespread as expected despite declines in earnings.

Above all, there was the widespread acceptance of the notion that inflation is inevitable. That explains the demand for stocks, not only by institutions but by the public. And with the floating supply of stocks fairly small compared to other investments available—principally bonds and mortgages—the demand has forced prices higher.

Of course, the present vogue of stocks may go too far. If investors feel that price is unimportant—on the theory that stocks can only improve in value—then an uncontrollable boom may develop, followed by a serious break. But there's no indication yet of this kind of flight from reality.

- **Safer Now**—In fact, many investment men feel that the stock market is much safer today than when it hit its previous peak, even though business activity was higher then. They point out that there were then many signs that a decline was in the making, and no real assurance that a long-term cyclical slump could be avoided.

Today most indicators are turning up, and the real question is not whether we are recovering, but how far up we are likely to go. Earnings and yields are admittedly lower, but the prospect is for improvements in both categories. As one investment man put it, "Prices of stocks are high now, but there's less risk of a decline today than there was in 1957 or even last spring."

- **Yardstick Revision**—The new status of equities is leading to revision in many of the yardsticks used to appraise stock values. The normal yield spread between stocks and bonds has disappeared, which is traditionally considered a danger sign for equities. But many analysts now say that the demand for stocks is bound to mean a generally

lower yield curve even if dividends are increased.

There has also been some rethinking on price-earnings ratios. U.S. Steel, which used to be regarded as a prime example of a feast or famine enterprise, traditionally has a 12-to-1 price earnings ratio. Now, Steel's ability to operate in the black well below capacity has some analysts thinking that a 15-to-1 price earnings ratio is justified.

Other stocks are being similarly re-evaluated. It's not a case of giving blanket endorsement to equities. On the contrary, the rise since last October has been extremely selective. Many of the stocks in the Dow-Jones average are still depressed, and the rails and utilities are not showing the strength of industrials. The stocks that have gained the most have been in industrials—farm equipment, drugs, tobaccos—which have shown the best gains in earnings.

- **Research Staffs**—This "rational" recovery is largely due to the growing importance of institutional investors, who have large research staffs to help guide them. Many institutions pursued a cautious policy until they were convinced that the economy had seen the worst of the recession. Then they started buying in volume, which marked the start of the rally that has taken the averages to a new high.

This year's experience has also revised the thinking on the corrections expected in the market. In the 1920s and 1930s, a 15% drop was normal even during a bull market, and 50% declines were not uncommon. But now, investment managers feel that the 20% decline in 1957 was about as severe as any correction is likely to be.

A correction may come any time, primarily because the market has advanced so high and so steadily. But analysts consider that any technical correction will be closer to 5% than the old norm of 15%. "As soon as prices start falling," says one broker, "people now on the sidelines will come in."

- **Margin Factor**—This suggests that there is much less risk in owning stocks, particularly for the long pull. By and large, this is not a margin market, of the kind that led to excessive speculation. Many analysts think that even 100% margin requirements would not kill the new boom.

Some investment men think that the rise in interest rates will bring a number of institutions, primarily interested in income, back to bonds (page 139). But they add that bonds no longer offer the safety they once did. Certainly, the bond market has had a dizzying rise followed by a total collapse that was bitter medicine for many conservative investors. As one Wall Street broker summed it up this week, "Stocks now offer the best protection for widows and orphans."

Steel Pins Hope on Detroit

If the new cars sell nicely, the industry can reach 86.5-million ingot tons for the year. That's still a meager target, the lowest production total since 1949.

With a watchful eye on Detroit, steelmakers now anticipate a fourth quarter about as good as last year, when the steel market collapsed.

There are some differences, of course:

- Then, the U.S. economy was headed down. Today, it's headed up.
- Then, steel inventories were tremendous. Today, they are lower.
- Then, steel was approaching undreamed-of levels of availability. Today, the industry faces a strike threat nine months hence.

But there's one overpowering similarity between this year and last, and it's as simple as this:

Pittsburgh is depending on Detroit to turn out some autos that will sell—preferably ones that will sell like mad. If Detroit can't do it, neither city is going anywhere in particular.

If the new models sell nicely, Pittsburgh figures it will wind up the year producing about as much steel as it has been predicting it would—around 86.5-million ingot tons. That would be the lowest production since 1949, the worst operating rate (which takes capacity into account) since 1938.

• **Lagging Pace**—Simply to accomplish so sorry a showing, steel will have to get cracking. In the last four months, it will have to turn out two-thirds as much metal as it produced in the first eight months. And, with September almost gone, steel has been falling more than 10% below the weekly pace it must average to accomplish that.

All this becomes apparent when you look at the record. That improved again in August when the industry turned out 7.28-million tons, its best month this year. Following a brisk June and a July that was far better than had been anticipated, a still-stronger August has produced optimism all around the steel business. Even so, to meet its modest goal for 1958, the trade is going to have to better its average eight-month performance by more than 35%, to improve by about 23% on its best month, August. To achieve such a thing, people must buy those new cars.

• **Backstops**—Detroit is the only really speculative factor, and there are other elements working to bolster the steel market:

• As long as the FRB index of industrial production continues to rise, as it has since April, steel consumption will rise too.

• After a year of inventory draw-down at the rate of 1-million tons per

month, there can't be much steel left in manufacturers' stocks.

Actually, steelmakers agree today that the situation is ripe for a quick, sharp upturn that could embarrass any sheet and strip customers that have cut inventories too deeply. Without implying at all that there's any prospective shortage of steel, they figure that, for months, deliveries from the mills have been very short. That has enabled steel buyers pretty widely to order as much flat-rolled product as they needed—for delivery when they wanted to cut it up. Now, with consumption rising and inventories low, orders will have to be bigger. If automotive buying proves to be strong, deliveries inevitably will lengthen. When that happens, the hand-to-mouth buyer will be pinched for as long as it takes him to get current.

• **Snowballing**—For example, if a customer has been buying his hot-rolled sheet requirements on a three-week basis and deliveries suddenly stretch out to five weeks he'll be squeezed for steel—

and not simply the metal he'd use during the two weeks. As well as finding the steel for the missing two weeks, he'll have to get a larger order onto a tighter order book. In all probability, also, he'll start thinking of building a little inventory—everyone does when steel becomes a little bit hard to get. To the extent that quite a few people start accumulating steel at the same time, the order books tighten even more, and deliveries stretch out a little further.

It's this kind of sudden snowballing that is predictable for the sheet and strip market between now and November if the new cars sell briskly. Unlike earlier years when the same cycle hit the entire steel market, it isn't expected to affect other products. There are too many ingots and too much finishing capacity for that.

• **Construction**—Regardless of how the new cars sell, steel figures the construction market—the thing that has sparked the recovery from April's ghastly 48% operating rate—will continue strong.

Tin plate, a product that almost singlehanded held the first and second quarters together, will be seasonally weaker through the year's end. And the makers of oil country tubular goods aren't very sanguine about their prospects. Business is better, they say, but only a little.

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MAGICAIRE HEATER	0000			
POWER STEERING	0000			
4 WAY POWER FRONT SEAT	0000			
POWER LIFT WINDOWS	0000			
POWER BRAKES	0000			
SELF REG. ELECTRIC CLOCK	0000			
WINDSHIELD WASHER	0000	<p>FORD DIVISION</p> <p>FORD MOTOR COMPANY</p>		
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First Look at New Auto Price Tags

This year Congress required auto manufacturers to label all new cars with manufacturers' suggested retail prices. Here is the tag that Ford will use on its 1959 models. Blacked out areas are new model features.



OUTSIDE CLOSED ROOM where UAW negotiations with auto industry were nearing climax, reporters wait expectantly for accord.



CARD GAME relieves monotony for other newsmen, while, at similar table few doors away, conferees work toward showdown.

Tension Crackles in Auto Talks

Around a 50-ft.-long table covered with the green cloth so familiar to all poker players, the top labor bargaining talent of the Ford Motor Co. and the United Auto Workers this week finally got to the showdown stage in a vital game that began last spring (pictures).

Talks on a new labor agreement to replace the one that expired at the end of May moved leisurely through the summer. Both sides were waiting for the time when negotiations had to come to a head—before the 1959 cars got into large-scale production. Last

week UAW Pres. Walter Reuther precipitated the climax by setting a strike deadline at Ford for Wednesday.

• **Grist for Discussion**—Within two days, the negotiations were moved from Ford's central office building into the Detroit Leland Hotel, and the tempo quickened. After weekend sessions, Reuther got what he had been expecting for months: a company offer that wasn't a mere two-year renewal of the expired agreement. The offer was for three years, and it promised the union a little more in the four areas where

Reuther had signaled he needed improvements—supplemental unemployment benefits, severance pay, pensions, and wages.

This was enough to talk more about, but not enough to settle for. So, as experts hustled in and out of the fourth-floor bargaining room and weary but "hopeful" negotiators periodically emerged to face reporters and cameras, the bargaining dragged on, right down to the wire.

At stake was not only the wage and fringe pattern with which much of



LABOR AND MANAGEMENT huddle in room of Detroit Leland Hotel in an effort to settle before strike deadline set for Ford. Deadline brought offers from all of Big Three.



FOR FORD, star of talks was John Bugas, vice-president, industrial relations.



FOR UAW, top man was Walter Reuther, facing radio and TV mikes during a break.

U.S. industry will have to deal within the next year. More important from Reuther's standpoint, for the first time he confronted what he termed "industrywide bargaining by remote control." General Motors, Ford, and Chrysler presented what the UAW said were identical offers within 18 minutes of each other.

In the face of this, Reuther had no course but to do what he did.

I. How They Settled

He signed a three-year agreement when what he had wanted was a shorter contract. He had to take basically the same wage rates that were originally offered by the companies as long ago as last August, when he had said he was going to get the biggest wage increase in the union's history. But he did win large parts of his four-point program, enough for him to say when the settlement was announced at 4:05 p.m. (EST) Wednesday that:

"This represents substantial progress in finding answers for the four pressing human problems. We made progress not at the expense of America but with America."

And John S. Bugas, Ford vice-president of industrial relations, was able to say:

"I feel particularly good about this settlement. We have what we desired, an economic package that is non-excessive but ample. We can live with it."

• **Contract Details**—This is the broad outline of the agreement that Reuther and Bugas were talking about:

- A three-year contract expiring Aug. 31, 1961.

- A pay increase, retroactive to Sept. 1, of 10¢ an hour. This includes 7¢ from the annual improvement factor (2.5% of base wages) and 3¢ from the cost-of-living formula. The basis for both these calculations remains the same as in the previous contract. From Sept. 1 back to July 1, the retroactive increase will be 9¢ an hour because of a lower cost-of-living boost.

- An increase in pensions from the present \$2.25 per month for each year of service to \$2.35 per month for 14,000 Ford workers now retired; credit at \$2.40 per month for each year of previous service of workers now employed, and credit at \$2.50 per month for all future service.

- An additional wage increase for skilled workers of 8¢ an hour.

- An extension of the maximum duration of supplemental unemployment benefit payments from the present 26 weeks to 39 weeks, based on 65% of pay.

- Introduction of severance payments, taken from the SUB trust fund, for workers whose jobs have been wiped

out by closing of a plant or transfer of their work to another plant. This could amount to as much as \$3,000 for a worker with 30 years' service.

- **Plus for Company**—All in all, the settlement represented more of a victory for the company than for the union, although, as Reuther implied, considering all factors the union did not fare badly. In great degree, and in most areas, Ford pays no more out of pocket than it would have under the expired contract. But the settlement introduces something completely new in the 20-year history of automobile industry-UAW relations. It was the first contract signed on the basis of an understanding arrived at in advance by Ford, General Motors, and Chrysler.

II. Still a United Front

The outcome did nothing to shake the belief of watchful observers of Detroit's labor turmoil that the co-operation between the Big Three auto makers is still firm. There were all sorts of signs during the last three hectic days of bargaining that Ford might be proceeding separately—but these were more appearance than reality.

For instance, Ford's board of directors stood by all day Tuesday to hear from and advise Bugas. This was a departure from Ford's previous practice—but a departure in the direction of conformity with what other companies have always done. In the last national negotiations, Ford was privately owned, and the Ford brothers themselves did the standing by; at other companies the top decision-making group customarily is on hand to consider proposals from the bargaining room.

Nonetheless, when Bugas returned Tuesday evening from a dinner meeting with the board and threw in a "new proposal," it appeared Ford was going on its own.

- **Second Step**—But the proposal was neither "new" nor a product of the board meeting. The best guess is that Bugas suggested, and the board agreed, that the time had come to move a little more toward the union's position. The offer, instead of being new, was an expansion of the package presented simultaneously on Monday by the Big Three. The companies previously had agreed that it would be the second step in their attempt to get a new contract.

What it principally provided was an improvement in pension benefits. The increase to correct "wage inequities" of skilled workers was fattened by 3¢. The amount of SUB was standardized instead of being lowered within four weeks of layoff. All of this was well within the limits that the Big Three

had imposed upon themselves as far back as last May.

Consequently, at midweek there was a strong expectation that the GM and Chrysler settlements would parallel Ford's.

III. No New Frontiers

Not surprising at all, despite Reuther's jaunty pledges of months ago, there was no new ground broken in the Ford settlement. The reasons: poor auto sales, the industry alliance, economic conditions. Ford Local 600 Pres. Carl Stellato spoke this way of the terms: "Under present conditions it looks pretty good—if you know what I mean."

In fact, however, on the annual improvement factor wage increase UAW took a licking. The improvement factor in the 1955 agreement was an annual 2.5% or 6¢, whichever was greater.

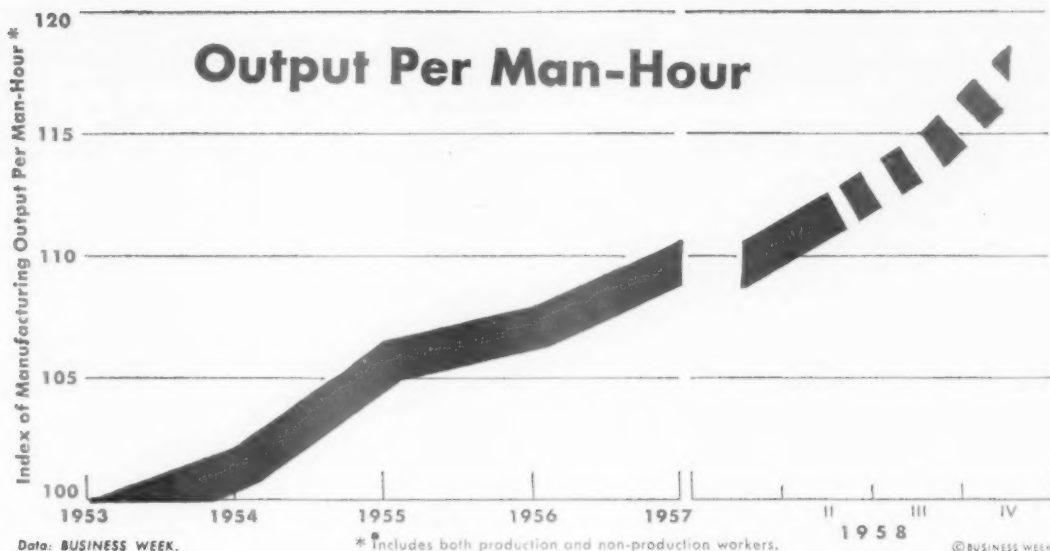
- **Argument Lost**—This year's agreement continues the 2.5% figure. That means, because of wage increases in the last three years, the 1958 productivity raise will be 7¢ an hour instead of 6¢. But it also means that Reuther and his economists have lost—for at least another three years—their argument that productivity in the auto industry increases faster than 2.5% a year. Supported by a bookshelf of statistics, they say the rate is at least 3.9%.

More important, simply retaining the 2.5% increase from last time has made the raise, in effect, only a pro forma wage boost unrelated to any real study of worker productivity. And UAW has long fought lustily for linking wages to such a study.

- **Longer the Better**—The three-year contract also was a gain for the companies and for their joint effort. Back in 1955, GM was in favor of another five-year deal, Ford, lukewarm to it but not actively opposed. The UAW wanted no more than two years, and a strong faction argued for one year. The settlement, of course, was for three years.

This time, the companies first offered a renewal of the 1955 contract for two years. While never committing itself in advance on length of the contract, UAW sent out feelers on a 16-month term (which, with a beginning date of June 1, would have put the expiration time right smack into the 1960-model introduction period and also into the steel union's expiration period). And there was the usual agitation for a one-year contract.

Although UAW has now gotten the expiration date into the normal model changeover period, auto industry insiders are not worried in the slightest. As long as the industry front demonstrated this year holds firm, the expiration date really doesn't matter.



Productivity Starts on a Climb

Its sharp rise, promising to continue through year, is giving boost to profits but helping to keep unemployment up.

Productivity is back in the news—with a difference.

During the past two years, lagging productivity has been the whipping boy for a host of economic ills—a squeeze on profits, a pressure on prices and, through these two effects, a slowing of economic growth resulting in eventual recession, paradoxically in the midst of persistent inflation.

But now, as the chart makes evident, productivity is showing a smart rise, and that rise promises to continue through the rest of 1958. Already, rising productivity is having a twofold impact on the economy:

- It's reducing unit labor costs and, with companies doing a bigger volume of business, is already boosting profits (BW—Sep. 13 '58, p. 119).
- It's slowing the rehiring of laid-off workers, creating fewer job openings for new entrants to the labor force, and keeping unemployment at higher levels than prevailed during earlier post-war recoveries.

I. How Much Gain?

For individual companies, it's a baffling task to try to measure changes in productivity. Even when they arrive at figures they can believe in, they often prefer to keep them secret—since the figures frequently have a critical relation to upcoming wage negotiations.

Yet, though even defining, let alone measuring, productivity is an economist's and a businessman's nightmare,

the central fact looks solid: Productivity has shown a markedly better gain this year than during the past two years.

• **Calculation**—In computing for the chart above the changes in output per man-hour in manufacturing, BUSINESS WEEK used this method: It divided the Federal Reserve Board index of manufacturing production by an estimate, derived from Labor Dept. figures, of the number of hours worked by both production and nonproduction workers in manufacturing.

The results of such a measure are admittedly crude—and do not explain what caused the rise in productivity. Obviously it was not just due to any extra effort workers may have put into jobs or any improvement in their skills, but also to gains in efficiency resulting from past business investment in new and better plant and equipment. And it was affected by the rate at which business was operating, by changes in plant layout, material flows, and other factors.

• **Broad Trend**—The BUSINESS WEEK calculations, nevertheless, appear to reflect in broad outline what is, in fact, happening to productivity. They show a 4.4% jump in output per man-hour in 1955 after the 1953-54 recession; then a slower rise of 1.4% in 1956 and 2.5% in 1957. For the first quarter of 1958, there was slight change—then a jump in the second quarter that promises to continue through the year.

The fourth-quarter 1958 level should

top by 7% the 1957 figure. And for the year as a whole, 1958 should show about a 4% gain over 1957.

This climb is already boosting profits. Just-released government figures show that, in the April-June quarter, manufacturing sales rose 3% and after-tax profits jumped 15% from first-quarter low points. After-tax profits per dollar of sales advanced to 3.8¢, compared to 3.4¢ in the January-March period.

Rising productivity should boost profits still higher as 1958 wears on. For, at higher output levels, business will be able to take full advantage of (1) the operating efficiencies stemming from the 1955-57 stepup in capital spending for new plant and equipment, and (2) the results of the cost-cutting and deadwood-clearing carried through by business this year.

II. Factory View

But this, of course, is a rough, over-all picture, which doesn't hold for all companies. When you talk about the productivity trend with businessmen around the country, as BUSINESS WEEK reporters did last week, you get a feel of how differently it looks to different companies—and at the same time, a general confirmation of the over-all rising trend.

Not all companies find any gain in productivity. Some are operating at levels so low that normal efficiency measures are impracticable—they can't for instance, cut work forces proportionately to the drop in output. This is true of some railroads, bus lines, public utilities.

But many are sure that productivity

gains have been dramatic, and that when they get back to pre-recession output levels, they won't need anything like as many workers as they had before. Just a few specific cases:

- A spokesman for the Brown Co., paper manufacturers in Berlin, N. H., says: "We're certain we won't rehire all we laid off. In fact, when sales pick up I expect we'll rehire only about half of them to produce at pre-recession levels. New machinery has something to do with this, but mostly it's a process of rearranging work, of eliminating luxury jobs."

- A major Texas oil refiner has pared its payroll by about 1,000 in recent months. Now it's finding it can operate at a pre-recession level without these.

- One New England office machinery maker has slashed employment, centralized its operation, figures a 20% gain in productivity as a result. This means a much lower break-even point, says an executive.

- **Long View, and Present Jobs**—Taking the long view, a Dallas bank economist observes: "Twenty-five or thirty years from now, we can look back at this recession coldly, not hurting the feelings of a fellow who was out of a job, and note that it helped the nation."

But the long view comes hard to labor people where jobs are at stake. Nat Goldfinger, AFL-CIO economist, thinks the rise in productivity in the past few months has been steeper than at any time in recent decades and says this may reflect a significant breakthrough in the use of new technology. But he fears its impact will come all at one time, not giving the economy a chance to adjust smoothly to it; and that this will make it difficult to reduce the unemployment level for a year, possibly two.

Government economists aren't inclined to take these labor worries lightly—especially for the months just ahead. At both the Council of Economic Advisers and the Joint Economic Committee, staff economists now think it would take a business upturn much stronger and faster than seems likely at the moment to reduce their unemployment forecasts of a few months ago (BW—Jun. 14 '58, p137).

These suggested that the unemployment rate will persist for a few months longer at roughly its present level, with the actual number of jobless climbing back to about 5-million by yearend as a result of seasonal cuts in jobs.

Labor Dept. forecasters, however, have brightened up a bit in recent weeks. They see the unemployment problem as not general, but concentrated for the most part in Detroit and a few other centers. A good pickup in autos and related industries, they feel,

would bring jobless totals down to about 4-million—still too high for comfort, but an improvement.

- **Forward Push**—But painful as are some immediate effects of rising productivity, its climb promises to give a genuine forward push to business recovery and through its probable effect on profits and capital spending, to national economic growth.

One staff member of the Council of Economic Advisers figures that unit labor costs held steady in first-half 1958, and will show a decline of about 2% in the second half—the first drop since 1950. The huge difference that bigger volume multiplied by lower unit labor costs can make in the profits picture is obvious to any businessmen.

James Knowles, veteran forecaster for the Joint Economic Committee, thinks profit margins will jump at least five times as fast as production. Anything

even remotely resembling that would give a big push to the moderate upturn in capital spending foreseen for the last part of 1958 in the latest Commerce Dept. Securities & Exchange Commission survey (BW—Sep. 13 '58, p29).

- **Battles**—But some heated slugging based on these developments may also be in the offing:

- In the election campaign, where Democrats are likely to blast Republicans for a recovery coupling bigger profits and persisting joblessness.

- Before Rep. Wright Patman's (D-Tex.) Joint Economic Committee and Sen. Estes Kefauver's (D-Tenn.) Antimonopoly Subcommittee, both due to resume price inquests this winter.

- And in many a labor negotiation in the months ahead, with labor arguing that business can now afford big wage boosts because it's making big profits again.

Peking Squeezes for Industry

New Communist policy pushes a half-billion farmers into tight "communes" to get capital for industrialization.

Red China is launching one of the most fantastic schemes in the history of Communism—the organization of mainland China's vast rural population into communes, or "People's Public Communities." These communes are to be created by merging the 750,000 "People's Cooperative Farms"—China's version of Soviet collectives—into 100,000 larger units.

With this new scheme, the Communist regime hopes to squeeze the last ounce of energy out of the Chinese people, and the last cent of capital, for its industrialization program. When the communal system is in full effect, the way of life of 500-million Chinese (five-sixths of the total population) will be drastically changed. Under the spartan scheme, Chinese peasants will:

- Get paid a salary, instead of drawing their income—partly in kind—according to the number of hours worked on the cooperatives.

- Lose the small plots of private land they have owned under the co-operative system.

- Eat at huge public kitchens.

- Have their lives regimented by the commune, on orders from Peking.

- **Go-Ahead Signal**—After experimenting with the new system on a local basis last spring and summer, the Peking government decided early this month to push the program. The decision—obscured, at least from the outside world, by the Formosa crisis—came after a meeting of the Supreme National Council, over which Mao Tse-tung presided.

Apparently no timetable has been set for completion of the program. But observers in the Far East expect Mao to move much as he did when he organized the cooperatives. That plan was started slowly in 1953 and only gradually made farmers give up the land that the Communists in many instances had given them during Mao's march to power. In 1955, Mao ordered a speed-up; by mid-1957, some 97% of Red China's farmers were organized in cooperatives.

Last April, word went out to party workers in Honan Province (near Peking) to start building communes there. Now it seems certain that, during the next year, Peking will apply this latest organization of Chinese agriculture to many areas.

- **No Utopia**—Red China's communes will bear little resemblance to the century-old dream of Europe's Utopian Socialists—a communal system in which the family principle was to be extended on a self-governing basis to all of society. About the only place where this kind of commune has worked is in Israel, with armed frontier farm settlements, or kibbutzim.

The Chinese communes (averaging 8,000 families each) are to be tightly controlled by the central government. All local government machinery in rural China is to be merged into the communal setup. Farmers, industrial workers in towns, merchants, and students will all become members of the communes. Labor will be switched seasonally from farming to light industry. All political, economic, social,

and military institutions will be organized around the communes.

The drastic character of the whole scheme shows up in the plans for public kitchens. Families are no longer to eat together, which must be quite a blow for the Chinese who take second place to no one in the world as gourmets. The Communist press has been full of stories about bad food in some of the kitchens already operating in the Honan experimental communes. But apparently Peking figures that, through the public kitchen, it can solve a problem that has plagued Communist Russia and many dictatorships in the past—to get the peasant to stop eating up his own surplus. Then more women will be freed for farms and workshops.

• **The Squeeze**—The chief goal of the

whole scheme undoubtedly is to squeeze additional capital out of the countryside for industrialization. This was true of Stalin's brutal collectivization of the Russian peasant in the 1930s. But observers see another explanation for the program—a sort of schizophrenia in high government circles.

On the one hand, Chinese leaders are proud of their achievement in giving China its first effective government in over a century. On the other hand, they sometimes seem to verge on panic about problems that still beset them.

One of the worst of these problems is a population increase of 15-million a year. Already, such a multiplication of mouths to feed is frightening in a nation that has never in modern times been able to support itself.

ture contracts will be for rockets, electronic equipment, and other hardware of the nuclear-space age. This trend is already evident in the 1957 standings. No. 1 on the list was General Dynamics Corp., maker of new-fangled armament ranging from atomic submarines to ballistic missiles and supersonic aircraft.

Right behind was General Electric, which produces missile guidance systems, radars, jet engines, and other such items.

The roster is studded with corporate giants that have branched out into virgin territory—by setting up new subsidiaries, buying small independent concerns, or expanding existing divisions. General Motors has offset the drop in business for standbys such as tanks and guns by spreading out into electronics. It now makes the guidance system for the Air Force's Thor IRBM, bombing-navigation computers, gun-bomb-rocket sights, instruments, controls, and a variety of radar and missile components. As a result, GM has skipped from 14th to 10th place. Since it's now bidding on missile system contracts, it may rise even higher.

• **Leapfrogging**—General Tire & Rubber Co. has leaped to 22nd spot, thanks to expanded defense activity by its post-war acquisition, Aerojet-General—producer of rocket engines for the Titan, Polaris, Hawk, Corvus, Genie, and Sparrow missiles. Chrysler Corp., in sixth place after Korea and then in 80th when orders for tanks and other conventional ordnance plunged, is back up to 24th on the strength of new orders for the Jupiter IRBM.

Old-line airframe makers such as North American Aviation, Chance Vought, Martin, Lockheed, Northrop, and Douglas have clung to high rank by becoming missile manufacturers instead of relying only on planes. Even Boeing owes much of its order backlog to Bomarc missile contracts, though it's still dependent on aircraft production.

On orders for planes alone, at least a couple of established companies have staged solid comebacks. Republic Aviation, which has been slow in diversifying into missiles and electronics, moved up four notches with the help of last year's order for quantity production of the advanced supersonic F-105 fighter-bomber. Another laggard in converting to missiles, Grumman Aircraft, has received through new production orders for the WF-2 early-warning radar plane and the F9F-8T fighter-trainer. Once out of the top 100 altogether, Grumman has clambered back to 18th position.

• **By the Wayside**—For the first time, du Pont last year dropped out of the top 100, because of a reduction in military orders for small arms, chemical products, and assorted other conventional items. Kaiser Industries, which once ranked 19th, also fell out of the list.

The Big Munitions Makers

Many of the top ones have jumped up the list

LATEST RANK	1957 ORDERS	PREVIOUS RANK (Jan '55- June '56)	POST-KOREA RANK (July '50- June '53)
1. General Dynamics	\$1,100.0 Million	2	**
2. General Electric	916.4	4	3
3. United Aircraft	699.3	3	5
4. Boeing Airplane	637.9	5	2
5. AT&T	471.0	6	13
6. North American Aviation..	456.1	1	9
7. Hughes Aircraft	369.2	11	25
8. Chance Vought Aircraft...	341.0	17	**
9. Martin Co.	322.1	13	23
10. General Motors	308.7	14	1
11. Lockheed Aircraft	277.4	8	7
12. Northrop Aircraft	263.5	27	16
13. IBM	255.4	16	44
14. Sperry-Rand	246.0	19	**
15. Bendix Aviation	223.5	15	*
16. Republic Aviation	212.0	20	10
17. Douglas Aircraft	203.2	9	4
18. Grumman Aircraft	194.7	*	*

*not among top 100

**differently organized

The Pentagon's Top Hands

The "Who's Who" of the munitions business is the Pentagon's list of its 100 largest contractors. The latest issue, released last week, as usual contains at the top some of the bluest chips in U.S. industry. But, as the table above shows, the scramble for the billions of dollars of defense business finds some newcomers gaining ground and some old familiar faces slipping or just holding their own.

There are many reasons for the switches in rank. But mainly they come right down to this: How successfully company managements have anticipated the trend in military ordering.

• **Up With Rockets**—On the record, the best way to win a foothold among the top 100 is via the missile and electronic business. No longer is there much potential in building airframes, tanks, and other conventional gear; the big fu-



FOREIGN POLICY is firmly in hands of Secy. of State Dulles, stronger than ever.



INFLATION battle is run by Treasury Secy. Anderson, as top economic aide.



INTEGRATION crisis turns on federal strategy mapped by Atty. Gen. Rogers.

A Cabinet Trio Gains Washington Power

With the frenzy of a busy Congress comfortably behind it and the tangy promise of a new autumn just ahead, Washington these days presents a false face to the world.

On the surface, there is little to suggest an air of governmental urgency, much less of crisis. Pres. Eisenhower takes time out for a Newport vacation, mixing golf liberally with the inevitable work that always follows a President anywhere. In the capital, street crowds look prosperous and carefree. And, as ever, that venerable institution—the long lunch—receives due homage from the bureaucrat.

• **Triple Problems**—The surface is illusory. Behind the facade, the Eisenhower Administration is preoccupied with three crises:

• A tense international situation that could lead to war.

• A worsening of chronic fiscal problems that finds the government headed for a record peacetime deficit with pressures rising for still more spending.

• A grave domestic situation stemming from resistance to public school desegregation in the South.

These are monumental problems to befall a government simultaneously. How this Administration deals with the problems now and in the future depends largely on the three strong men in the pictures at left: Secy. of State John Foster Dulles, Treasury Secy. Robert B. Anderson, and Atty. Gen. William P. Rogers.

Because Eisenhower is relying on these three for guidance in dealing with the overriding problems of these weeks, they are, aside from the President himself, now the most important and powerful men in Washington.

I. A Shift in Power

Probably not since he came to the Presidency in 1953 has Eisenhower relied so directly and so heavily on Cabinet officers alone as he now relies on this trio.

This seems due, to a large extent, to changes that have occurred inside the Administration, principally inside the White House in the President's personal staff. Sherman Adams, the man generally identified as "the Assistant President," was off in the Canadian woods fishing when Washington policy took hard form on the Far East and on school desegregation. No one suggests that the policies would have been

different had Adams been at Eisenhower's side. What is different is the direct line of authority from Eisenhower to his Cabinet lieutenants, without Adams or another White House staffer as intermediary.

Events of recent weeks have demonstrated that the White House staff is indubitably less influential now in making major policy decisions than in the past.

• **Why the Change?**—There are several reasons. One is a turnover of personnel. For example, Dr. Arthur F. Burns, as chief of the President's Council of Economic Advisers, was a strong influence on Eisenhower's economic thinking. But Dr. Raymond Saulnier, Burns' successor, has never quite attained the same close, confidential relationship that Burns had with the President. Dr. Gabriel Hauge, in another specially created staff position, became Eisenhower's principal economic consultant, but now Hauge is going to private business. No replacement of comparable caliber is in sight.

Insiders say another reason is the complex of confounding issues arising simultaneously. It is the sort of situation, they reason, that requires more urgent, more personal attention of the President himself and the men who can directly shape policy.

There is yet another, more subtle, reason—the memorandum made public last Mar. 3 in which Eisenhower directed that Vice-Pres. Richard M. Nixon, in the event of a Presidential disability, should become Acting President. The effect was to make clear that Eisenhower's intent is to have Nixon, rather than his own White House chief of staff, pick up executive burdens if he himself cannot perform them.

And, finally, there is the personal role of Adams.

Last year, he attempted to shrug off the first Soviet Sputnik as an "interplanetary basketball." Eisenhower later conceded, in a dramatic nationwide television address, that the Administration had underestimated the Sputnik's impact, and he reversed his attitude on spending to catch up. That was a jolt, the first one, to Adams' reputation. This spring's disclosures about Adams' relationship with industrialist Bernard Goldfine damaged Adams—to the point where, for the first time, even Eisenhower partisans say openly that the President's right-hand man should go.

• **Still a Sizable Staff**—Of the prime



This friendly **AM** man offers a way
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Safety studies show that drivers between the ages of 16 through 24 have more highway accidents than those in other age groups.

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movers in Eisenhower's original, formidable White House staff only Press Secy. James C. Hagerty—a bigger man than his title implies—is still on the job with his effectiveness intact.

The White House staff is nevertheless big and being almost constantly replenished. Within the past 10 days, Eisenhower has brought in two new staffers:

- Robert E. Merriam, who moves over from Deputy Director of the Budget to be a deputy assistant to the President for interdepartmental affairs. Merriam describes his job as a trouble-shooter for the President in departments and agencies of the executive branch. His prime concern will be seeing to it that policies, once made, are followed up and administered as intended—the sort of thing Fred A. Seaton did before Eisenhower promoted him to be Secretary of Interior.

- Dr. Malcolm C. Moos, a Johns Hopkins University political science professor, who takes charge of Presidential speechwriting.

II. Dulles and Foreign Policy

Of the three men whose roles are now paramount, Dulles is today much more influential than ever before on the issues of war and peace. Most of his challengers have been either eliminated or cut down to size.

Compare the current crisis in the Formosa Strait with the Vietnam and Formosa crises of 1954 and 1955. Both times earlier, Dulles wanted to pursue a much tougher line with the Chinese Communists than was eventually taken. The presumption is that Eisenhower—influenced to some extent by Congressional and British caution—held Dulles back when the chips went down.

Now, in the crisis over Quemoy and Matsu, Eisenhower is apparently following Dulles' advice to the letter. In his Sept. 11 television address to the nation—Dulles' idea in the first place—the President used language almost identical to what Dulles had been telling capital newsmen for a week.

- **Foes Dispersed**—Dulles has been Eisenhower's Secretary of State, of course, from the first. But his position early in Eisenhower's Presidency was not quite so secure. The Mutual Security Agency was powerful and semi-autonomous in administering foreign aid. Harold Stassen, the first GOP chief of the agency, fought a running battle with Dulles over, first, foreign aid and economic policy and, later, disarmament policy. But last spring, Stassen was eased out of government. Now Dulles controls all aspects of foreign economic policy through his one trusted agent, Under-Secy. C. Douglas Dillon.

Also gone are Defense Secy. Charles E. Wilson and Treasury Secy. George

M. Humphrey, two other strong men of the first Eisenhower Cabinet. They sometimes complicated Dulles' policy-making by adopting what Dulles thought were conservative views on how much money and armament were needed to back his foreign policy up. Even at the military level, Dulles finds the going easier these days; the strong-minded Adm. Arthur Radford, who frequently took independent positions on foreign policy issues, has left the government. So has Under Secy. of State Herbert Hoover, Jr., who often failed to see eye to eye with Dulles.

III. Rogers and Desegregation

Atty. Gen. Rogers is one of the junior members of the Eisenhower Cabinet, both in age (45) and in tenure. He became top man in the Justice Dept. only last January, after having served as Deputy Attorney General since the Eisenhower Administration began.

His is the prevailing counsel on a delicate, emotion-laden problem: enforcement of the ever-growing number of federal court decrees intended to speed desegregation of public schools.

- **Rogers' Strategy**—It was Rogers' decision, concurred in by the President, to dispatch a force of U.S. marshals to Little Rock this month—in advance of the Supreme Court ruling that a 30-month delay in integration at Central High School, scene of 1957's violent disorders, would not be tolerated. Rogers suggested the Presidential message that followed the court's decree in the Little Rock case—an appeal for public acceptance of the law of the land with calm and reason. It was also Rogers' idea to dispatch Asst. Atty. Gen. Malcolm Wilkey to Little Rock, to keep in close touch with the case.

- **Looking Ahead**—This year, Rogers was determined to avoid—if at all possible—a recurrence of the violence that last year finally led to sending federal troops to Little Rock. This summer, well in advance of school opening, he created an informal planning group in the Justice Dept. Its job: to foresee every conceivable turn in pending school cases. For weeks, it has been meeting daily, sometimes two or more times. The group took into account, among other things, the possibility of the Arkansas and Virginia school closings. There is a widespread assumption that it has considered the possibility of legal efforts to force the schools to reopen, but at midweek Rogers was holding off.

Some of Eisenhower's White House staff were reportedly dubious about Rogers' view that the Justice Dept. should participate directly in the Supreme Court hearings on the integration delay in Little Rock. It is clear that Eisenhower took Rogers' advice; the

federal government did intervene, forcefully, with a successful plea to deny the 24-year breather.

IV. Anderson and the Economy

Anderson, in less than 15 months as Treasury Secretary, has emerged as the Administration's top economic strategist, the man Eisenhower will listen to most closely in the fight now under way to lick inflation.

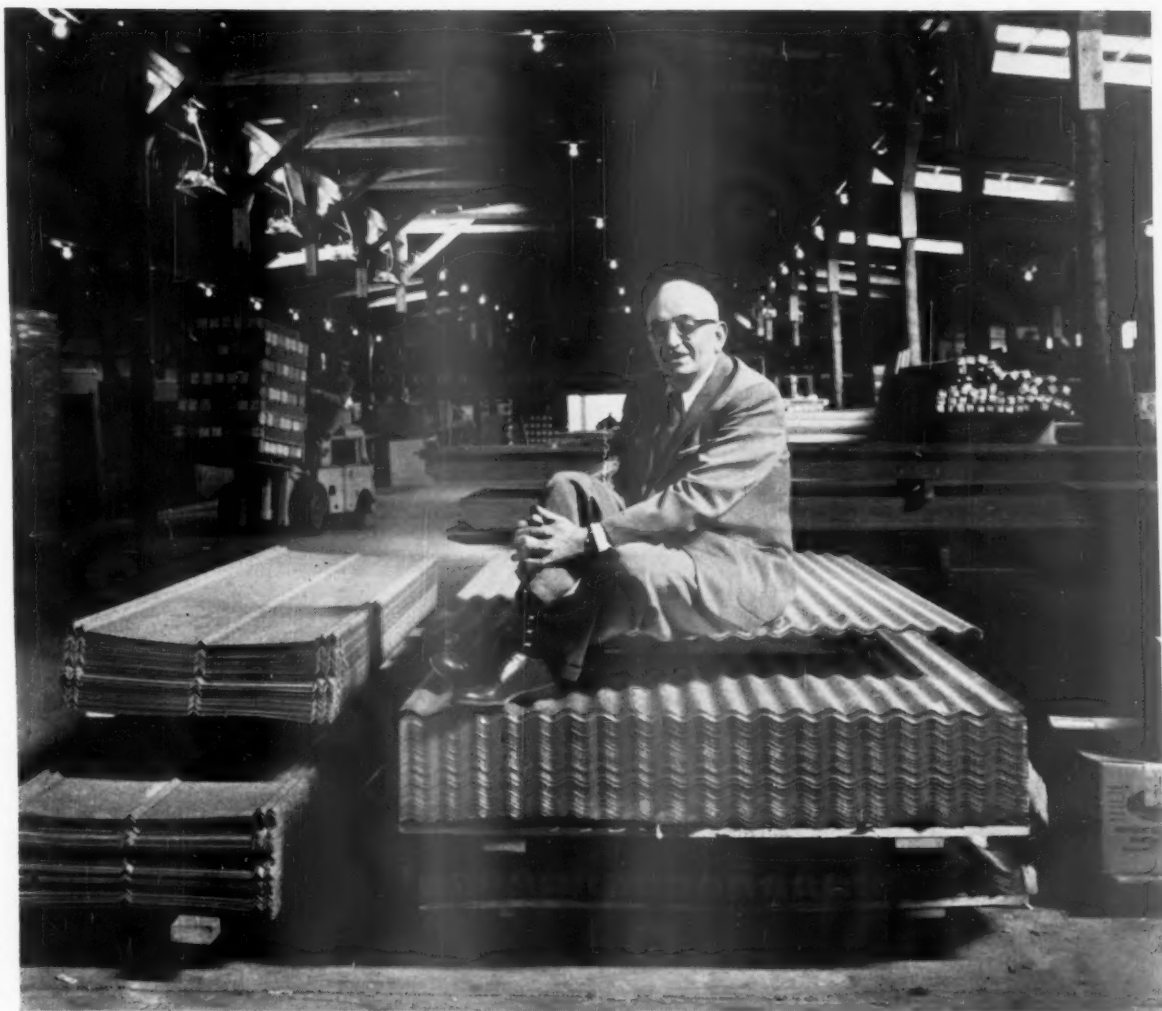
George Humphrey, Anderson's predecessor at Treasury, was himself a strong man for Eisenhower. But Humphrey's conservatism in matters economic was balanced off by advice Eisenhower got from both Dr. Arthur F. Burns and Gabriel Hauge. Now, with Hauge departing, there is no one to challenge Anderson in his new role.

- **Spreading His Weight**—His influence extends throughout the Administration, especially into the Pentagon, where he served former Defense Secy. Wilson as a deputy, and into Congress as well. Anderson is primarily responsible for Eisenhower's assertion at a recent news conference that the Pentagon is spending too much money "in certain areas."

Right now, the Pentagon's budget for next fiscal year is being tentatively drawn up. Despite warnings to trim and hold the line, pressures are persistent for a rise (BW-Sep. 6'58, p. 51). Whatever happens, the Pentagon people know Anderson will have the biggest say on how much additional money they get.

- **Victory on Taxes**—Anderson's big triumph thus far was Eisenhower's final decision this summer to stand pat against tax cuts. Inside the Administration, before the decision was made there was disagreement as to the duration and depth of the business recession and whether to cope with it by cutting taxes. Saulnier of CEA and Vice-Pres. Nixon advocated tax cutting as an anti-recession move. Anderson won himself a reputation as a solid economic forecaster by arguing that the recession would not last long and that the economy required neither tax cuts nor emergency federal spending measures to right itself. His view prevailed with the President, and this solidly established his status.

Even before that, however, Anderson proved himself valuable as a Presidential emissary to Congress, where by personal diplomacy he kept taxes from flaring into a heated political issue. Unlike Secy. Humphrey, Anderson gets along well on Capitol Hill, and not just because he is a Texan, like Senate Democratic leader Lyndon Johnson and House Speaker Sam Rayburn. Other Democratic leaders at the Capitol like Anderson from dealings with him before, both as a successful businessman and as Deputy Secretary of Defense.



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In Business

• • •

Consent Decree Ends Antitrust Case For Some Liquor Men; Others Face Trial

Six Baltimore liquor wholesalers and the Maryland Institute of Wine & Spirit Distributors this week signed a consent decree ending a civil antitrust suit filed against them by the Justice Dept. in 1956.

The antitrusters had charged that these and other companies had conspired to monopolize the sale of liquor in Maryland and to fix prices of liquor shipped into the state. Under the decree, the wholesalers agree not to use various practices that, the government claims, were aimed at establishing uniform prices.

The antitrusters' victory was a limited one; more than a dozen other companies—including some of the nation's leading liquor manufacturers—refused to sign the decree. This group faces trial on Oct. 6.

• • •

F. W. Richmond Buys Big Chunk Of Oil Field Supply Company

Frederick W. Richmond, diversified New York investor, has bought a "substantial block" of stock in Houston Oil Field Material Co., Inc., and will take over as chairman of the board. The block was reported to be 176,000 shares, or about 20%.

George O'Leary, president of the 30-year-old company, will retain his job, but Richmond says he will take an "active interest" in management. Last year, the company did \$46-million business, but this year it's off 40% in the general slump of oil field suppliers.

Richmond says he wants to pick up some more companies in the field, with HOMCO and its big sales organization as parent.

California's two oldest and largest independent oil companies—Signal Oil & Gas Co. and Hancock Oil Co.—have merged, with Signal the surviving corporation. The companies, whose operations will be integrated, have combined assets of about \$500-million.

• • •

Rayon Tire Cord Makers Join Forces To Hold the Line Against Nylon

Five major rayon producers this week set up a promotion outfit, American Tyrex Corp., to fend off further attempts by nylon to penetrate the tire cord market. The producers—American Enka, American Viscose, Beaunit Mills, Courtaulds (Canada), and Industrial Rayon, will use Tyrex to push sales of high tenacity rayon for tire cord.

The major objective of the rayon producers is to maintain their hold on the market for original tires on

new cars. The stronger but more expensive nylon already has taken over more than 40% of the car and truck tire replacement business, but has been able to chip away only 1% to 2% of the new car tire market.

Last year, Chevrolet flirted with the idea of adopting nylon tires as standard equipment on its 1959 models, but backed down largely because of their cost (BW—May 24 '58, p36).

Fearing a new bid by nylon in 1960 to win over Detroit, the rayon producers decided on concerted action to blow their own horns. Each will market its highest tenacity rayon yarn under the name "Tyrex," complying with standards set by the new outfit. Next month Tyrex will be introduced to dealers at a trade convention, and also will be heavily promoted in consumer and trade publications.

• • •

Hilton Hotels Moves to Take Over Diners' Club Via Stock Exchange

The reported expansion of Hilton Hotels' credit card system (BW—Sep. 6 '58, p44) is becoming a fact in a big way. The largest U.S. hotel chain has signed a preliminary agreement that would give it control of the 750,000-member Diners' Club.

On Sept. 30, directors of both companies will pass on the deal, in which 100,000 shares of Diners' Club would be exchanged for 118,500 shares of Hilton. Hilton would also acquire 200,000 unissued shares of Diners, and an option to buy up to half of Diners stock, on a formula based on Diners earnings.

Diners' Club dues will remain at \$5 a year, with the added right to charge at Hilton Hotels. Hilton cardholders will have to pay the \$5 to get Diners service.

• • •

Business Briefs

Personal income in August was at a seasonally adjusted rate of \$355.6-billion, the Commerce Dept. estimated this week. That's \$9-billion above the low last February. The gain over July was \$1.4-billion (although August was lower if the retroactive pay rise, a non-recurring item paid to civil service workers in July, is included).

Dollar volume of all types of retail establishments rose to a seasonally adjusted \$16.9-billion in August, according to the Commerce Dept. That was high for the year, topping July by \$200-million, and fell just a shade short of the record volume of July and August last year.

House Ways & Means Committee hearings seeking a permanent formula for taxing insurance companies will start Nov. 17, with Treasury Secy. Robert Anderson as leadoff man. In the past, only temporary methods have been given Congressional approval.

U.S. Plywood Corp. this week moved its president, S. W. Antoville, up into the vacant board chairmanship. Succeeding him as president is Gene C. Brewer, a 45-year-old production man up from the ranks.

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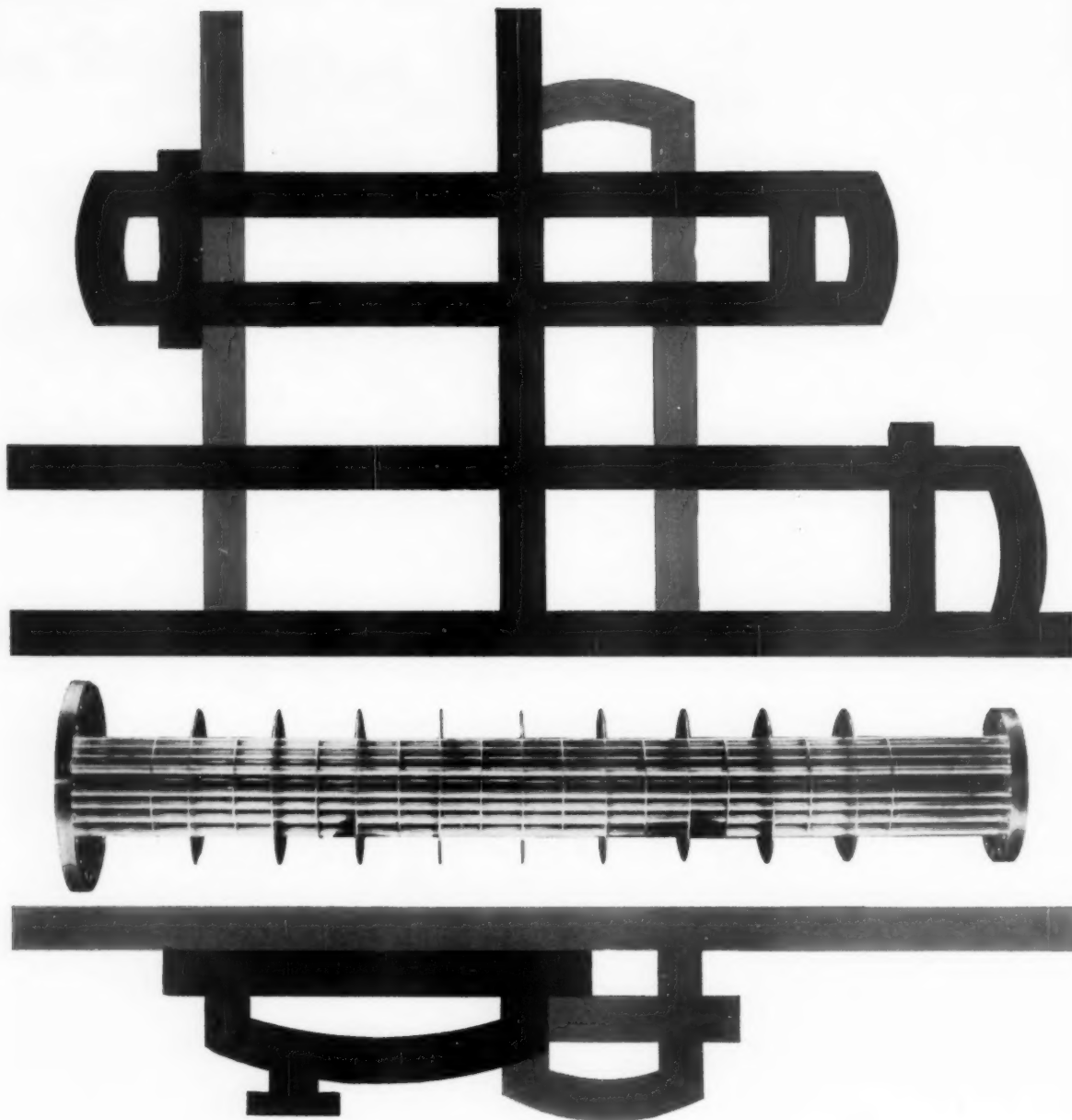
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
SEPT. 20, 1958



Washington is beginning to doubt that the labor issue will be crucial in the November elections. Back at the height of the McClellan committee exposures, political leaders had predicted that controversy over unions would rank high in most Congressional races.

Some big advance planning had begun, both by attackers and defenders of unions and their leaders. Democrats pushed a labor welfare control law through Congress, hoping to soften criticism of the unions. Some Republicans had tabbed a document against big labor as a campaign text. It was prepared by the staff of the Senate Republican Policy Committee, and entitled *The Labor Bosses—America's Third Party*.

Right-to-work movements in several states loomed large in the campaigning.

UAW leader Walter Reuther was a target, primarily because of his activity in Democratic politics and his espousal of union electioneering. The ultra-conservative Committee for Constitutional Government is circulating literature warning that Reuther could control as many as 175 seats in the House of Representatives next session.

Now, there is evidence the accent on "big labor" is diminishing. Campaigning is just beginning, but some reactions have already come in.

The first testing ground was California. Republican Sen. William F. Knowland, running for governor and supporting a right-to-work referendum, fared badly in the primary against Democrat Pat Brown, and has shown few signs of recouping. Last week's stories of extreme right-wing pamphleteering against union labor in California further dampen enthusiasm of a lot of political leaders for the issue.

Some cracks are showing in the solid nonpartisanship of the McClellan committee. The pressure of politics is beginning to have its effect, though for over a year the committee has prided itself that Republicans and Democrats have worked in harmony in exposing labor-management scandals.

Committee counsel Robert Kennedy shows discontent. He is critical of the Administration's reaction to the committee's revelations, charges the Justice Dept. is moving too slowly with prosecutions of union officials.

However, some committee members say privately that Kennedy's examination of Teamster Pres. James R. Hoffa was far from sharp, that the inquiry has fallen flat. Kennedy's roughest critics gossip that he is too much involved in his brother's political future. Sen. John Kennedy (D-Mass.) is gathering support and laying careful plans for a try at the Presidential nomination in 1960.

A careful buildup of Vice-Pres. Nixon for 1960 is under way. Nixon is choosing his speaking dates and appearances with a simple view in mind: to develop on his own as No. 1 candidate well ahead of the conventions, hoping to win a first ballot nomination. Though Nixon has Eisenhower's nod to go ahead with his plans, he intends to prepare a much broader base of support at the convention than that furnished by the Presidential coat-tails.

He plans broad-gauged campaigning this fall, rather than whistle-stopping for specific candidates as he did in 1954. He wants to be spokesman

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
SEPT. 20, 1958

of Administration and party objectives and principles, and he would like to establish a reputation as a money raiser.

The Harvard speech is a classic instance of Nixon's plans. Talking there to businessmen (BW—Sep.13'58,p38), he laid down tax and spending ideas of his own, stepping out further than Eisenhower or Treasury Secy. Anderson will. Nixon was building a platform, not restricted by current White House problems, with his plain appeal to business.

He has considerable strength in the East, particularly in New York. Republicans running Nelson Rockefeller there for governor make it plain that Nixon is their man for President; that if Rockefeller is ever a Presidential candidate, it will be after 1960, not against Nixon. Nixon has significantly overcome opposition of minority groups, who now find him attractive.

Negro leaders particularly like Nixon. Spokesmen rank him above any other prospective candidate, Democrat or Republican. Nixon gained much of his following as chairman of the government contracts committee, which attempts to stop discrimination in industry.

—●—

Congressional committees are setting up work for the fall. Several committees have matters of special interest to business that they intend to bring up for inquiry:

Senate Interstate Commerce: A subcommittee headed by Sen. John Pastore (D-R.I.) has started a broad inquiry into problems of the textile industry. The group will go into Rhode Island, Connecticut, New Hampshire, North Carolina, and South Carolina to hold hearings during the rest of this month.

House Judiciary antitrust subcommittee: Rep. Emanuel Celler's (D-N.Y.) group will investigate the dual rate system on ocean shipping. Hearings may be held in New York as well as Washington.

Legislative Oversight: The House group headed by Rep. Oren Harris (D-Ark.) opened two weeks of further hearings this week, starting with Bernard Goldfine's East Boston Corp. and its failure to make financial reports to the Securities & Exchange Commission. SEC's handling of a sale of \$4-million in convertible debentures of the Crowell-Collier Publishing Co. comes up next; then the committee may get back to actions of the Federal Communications Commission in awarding TV channels.

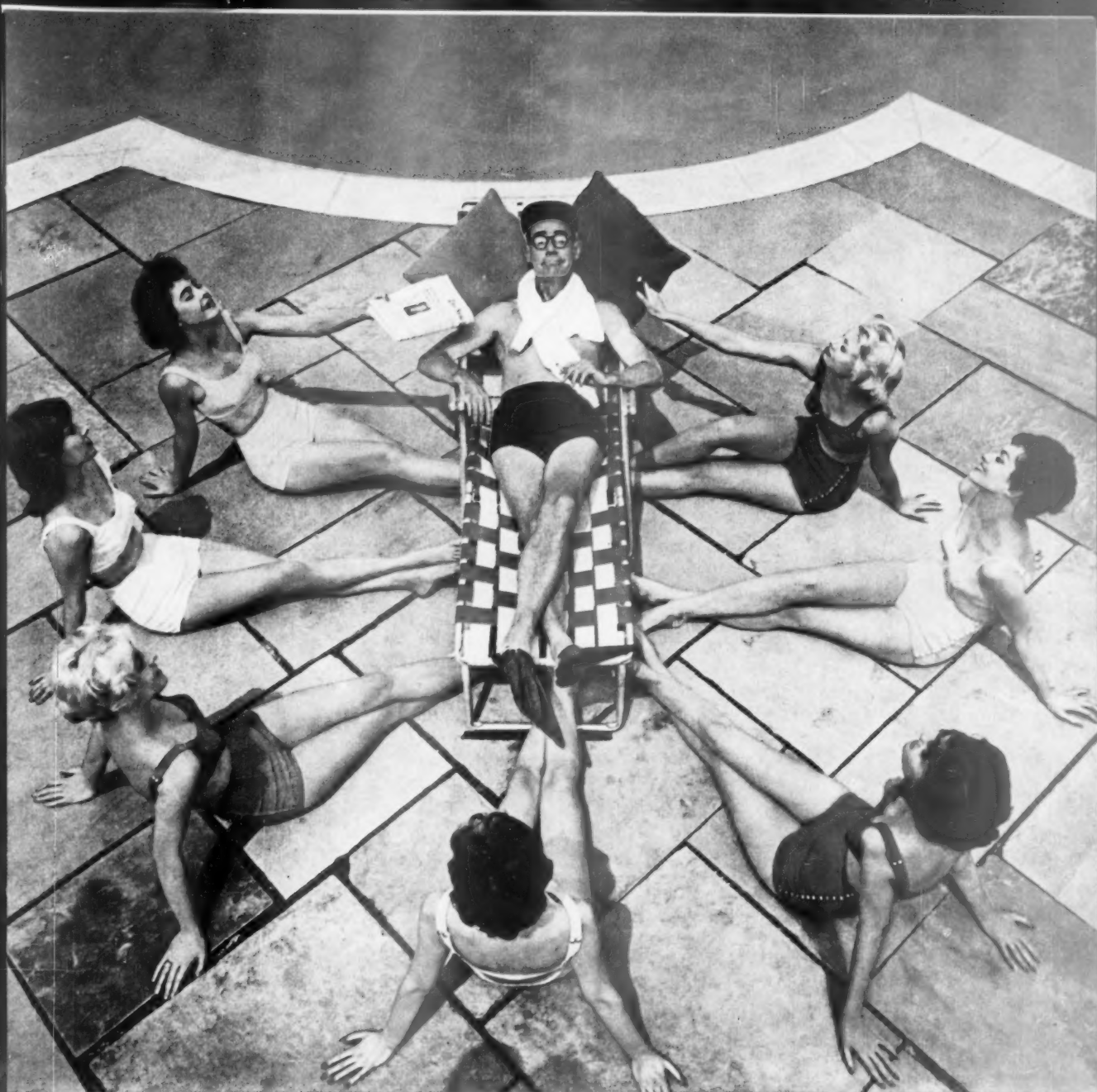
Senate Interior: November hearings will be held in Oregon, California, and Utah on legislation which, in blunt terms, is an attempt by conservationists to take over all public lands. Oil, timber, and minerals interests are against the proposal, want multiple-use policies continued.

Agriculture: The House committee will hold Washington hearings in November on utilization of farm products in industry.

Armed Services: November hearings on defense procurement standards will be held by the House committee in Washington.

—●—

The ill-fated Vanguard satellite project probably will survive, though it had another failure this week. The Navy scientists were working at mid-week to try to recoup quickly. Reports are widespread that the project has been given orders to do or die. But Navy officials say no; that the Administration will let it carry on. They claim that even failures are producing valuable information for future missile development.



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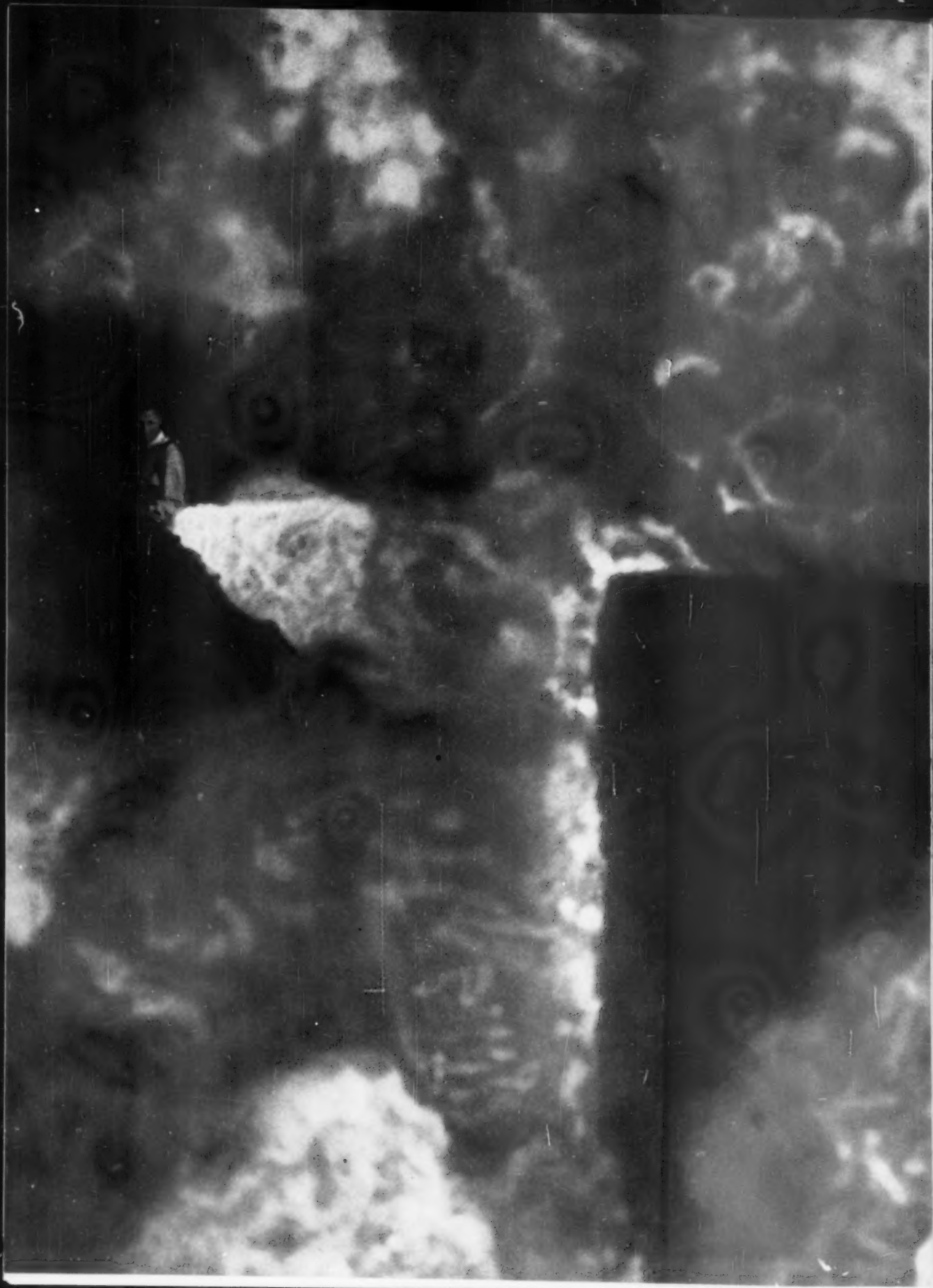
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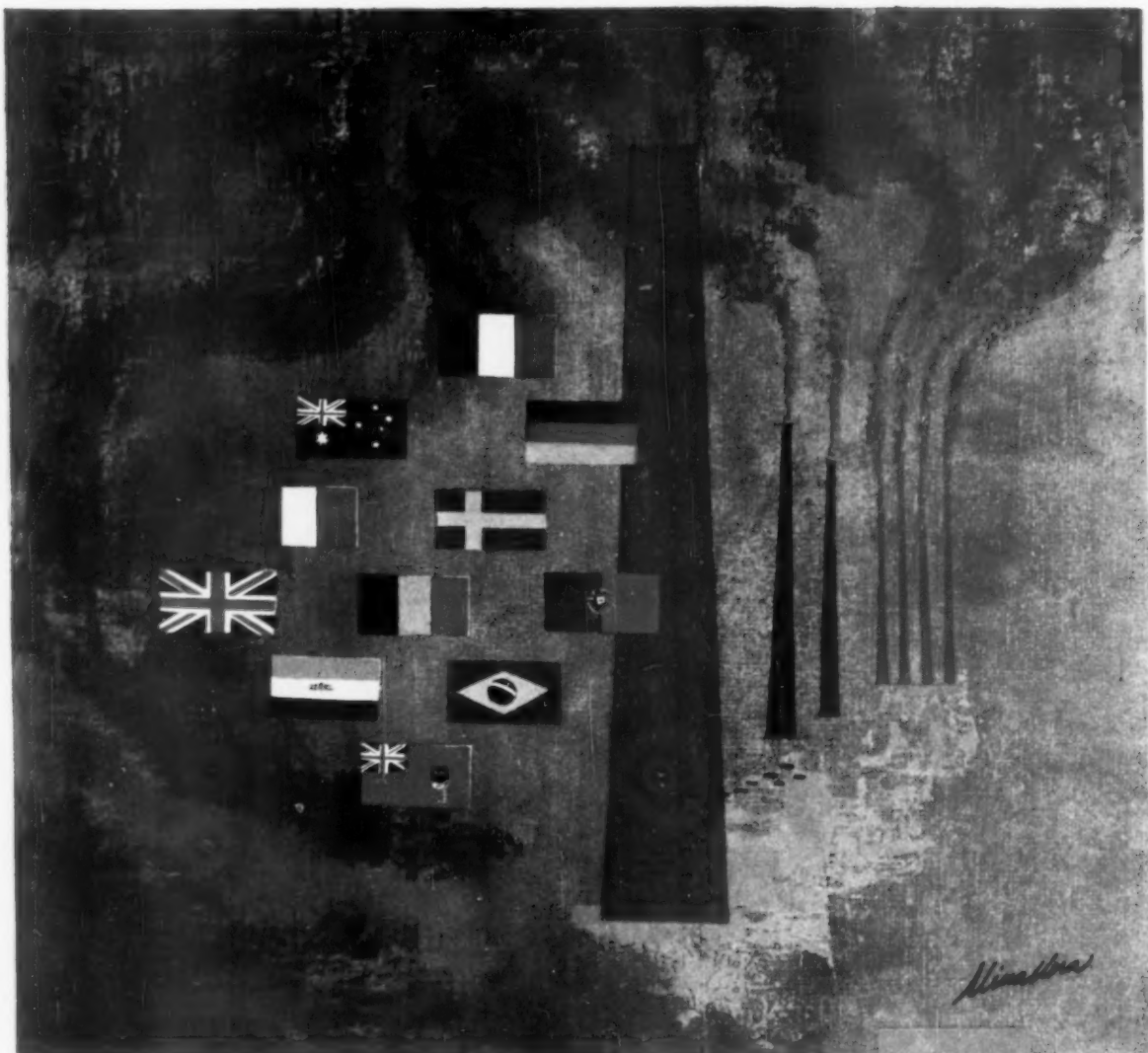
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B U D D

Fight in the Banking Family

In Chicago next week, the usually decorous annual convention of the American Bankers Assn. promises to explode into a public row.

The issue that threatens to disturb the peace is an amendment to ABA's constitution, sponsored by Arthur T. Roth, president of Franklin National Bank of Long Island and outspoken maverick of the banking community, calling for expulsion of the nation's mutual savings banks from membership in ABA. Roth says their presence handicaps ABA in pressing for legislation to end tax advantages that mutuals—and savings and loan associations—get but commercial banks don't get.

Behind Roth's proposal is the bitter competitive struggle for savings and for other bank business among the commercial banks, the mutuals, and the S&Ls.

• **Legal Differences**—Under present law, both the commercial banks and the mutuals theoretically are subject to the same 52% corporate tax rate on net earnings. But before they become liable for tax, the mutuals are allowed to set up, out of earnings, a reserve equal to 12% of total deposits. This is the equivalent of a commercial bank's capital funds and is intended to provide protection for the depositors. But if the commercial bank wants to expand its capital, it must either sell stock or build up its surplus from its after-tax earnings. The mutual, which has no stockholders, is allowed to set up its reserve out of income before taxes.

Commercial banks are allowed to set up a bad-debt reserve, but it is based not on deposits but on loans. And there is no uniform level. Each bank is allowed a tax-free reserve determined by its own historical loss experience. According to a report by the Comptroller of the Currency, the average ceiling amount that a commercial bank can accumulate in this way is only 2.43% of unsecured loans.

• **Competitive Edge**—The opportunity to accumulate the tax-free reserve gives the mutuals an edge in the competition to attract savings deposits from the public. Part of the mutuals' ability to pay higher interest rates comes from the fact that earnings of the reserve fund are available to sweeten the return to regular depositors. Much of their edge over the commercial banks, of course, comes from the fact that they have no stockholders, thus can pay out their earnings in the form of interest to depositors.

If the mutuals build up surpluses over the 12% level, they would be

subject to a 52% tax rate. So, they have an incentive to seek more business by boosting their dividend rates and paying out all that isn't needed to keep the reserve close to the 12% limit. In the war for the savings dollar, this ability to hike rates makes the mutuals tough competitors of commercial banks, which normally can't afford to match their high yields.

• **Roth's Stake**—Roth has a personal stake in battling what he calls "this growth-crippling tax advantage over stockholder-owned banks." He is anxious to keep the big New York City commercial banks and the mutuals out of his bailiwick in fast-growing Long Island. And his Chicago fight is only another in a succession of campaigns to beat back the opposition.

In spite of the fact that the tax problem is a very real one for bankers—and one that's likely to get even hotter as the trend toward branch banking gains momentum—Roth's move doesn't have much chance of winning approval at the Chicago meeting. True, Roth will get support from many small bankers—particularly those in the Midwest—who look upon the mutuals with the same disfavor as they do the S&Ls. But lined up on the other side is a formidable bloc.

For one thing, most bankers seem to feel that ABA is broad enough to house all segments of the banking industry. They believe this is strictly a family fight, and one that should be settled in private. As one official put it: "This whole mess is unbecoming to bankers."

The mutuals, of course, are girding for an all-out fight. In a half-dozen states, state banking associations have come out against expulsion. Besides, in many other states where they are chartered, the mutuals give commercial banks a sizable deposit business. And it's unlikely that the banks want to offend good customers.

I. Policy Question

Basic to the whole question of "tax equality" is whether the mutual savings banks have an economic function distinct enough to warrant a tax advantage. Roth says they do not. As he sees it, "Commercial banks can do everything they can, and do it better." But the mutuals muster many arguments—including history—in their defense.

When the mutual savings banks movement started in this country in 1816, they were set up as thrift institutions for persons of limited means. At



ARTHUR ROTH will move to expel the mutual banks from American Bankers Assn.

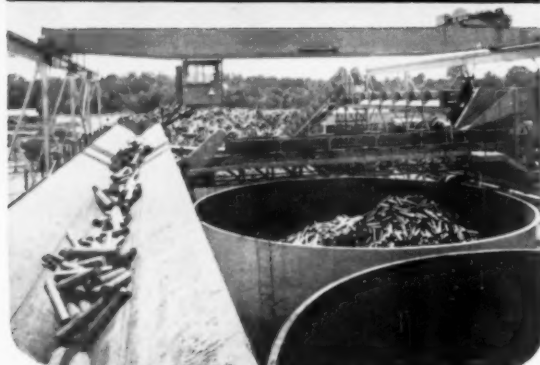


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"...in recent years, mutuals have lost ground to both the Commercial banks and the S&Ls..."

STORY starts on p. 53

the time, commercial banks were not really interested in savings deposits, and the small saver had no place to go. The mutuals were encouraged as a matter of public policy.

For this reason, the tax laws gave the mutuals favorable treatment, similar to that accorded cooperatives in other fields. Because of this encouragement and because they concentrated on cultivating the small saver, the mutuals have grown steadily. There are now 519 mutual savings banks, chartered in 17 states—mostly in the East—with deposits of more than \$33-billion.

• **Losing Ground**—In recent years, however, mutuals have lost ground to both the commercial banks and the S&Ls (BW—Aug. 23 '58, p. 39). The commercial banks have prospered by stressing "one-stop banking." The S&Ls have gained by offering shareholders higher yields than even the mutuals. But mutual banks feel this is no reason to change their status.

Explains William A. Lyon, president of the National Assn. of Mutual Savings Banks and head of New York's Dry Dock Savings Bank: "It's clear that one of the most serious shortages the nation faces today is savings. And if we want more liquid savings to combat inflation, we need the mutuals. For banking statistics prove that the mutuals—offering safety, availability of deposits, and a reasonable rate of return—can produce a great volume of savings. If the savings banks were taxed harder, they could not do so much to attract depositors."

• **Different Pattern**—Lyon adds that savings banks differ from commercial banks in philosophy of investment—particularly in New York. "We are a source of long-term funds, while most commercial banks are dedicated to a policy of the short-term turnover."

Mortgage loans now represent about 60% of savings banks' assets; corporate securities, about 15%, and cash and governments, most of the rest. In contrast, he says, many commercial banks ignore residential home mortgages, put their savings in the same short-term loans as they use for all their other deposits.

Lyon is spearheading the drive against Roth's amendment. He thinks ABA should try to solve the tax question within its own framework. And he believes that there are enough things in common to keep the family to-

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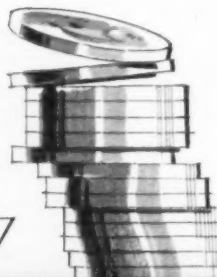
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II. Mutual Ambitions

The mutuals make no secret of their desire to spread out. Chartered now in 17 states, they are exploring ways of obtaining national charters. Meanwhile, more and more of them offer services that give their deposits a convenience similar to checking accounts—passbook loans, for example. And they are battling in some state legislatures for liberalized branch banking privileges.

To many bankers, all this looks like an abuse of the mutuals historical privileges. To Roth, it threatens to upset a long personal campaign.

• **Personal Battle**—For years, he has fought to keep Nassau County clear of major competition. He worked hard—but fruitlessly—in the New York legislature for a uniform banking bill that would have forced the mutual savings banks to surrender their charters or become stockholder-owned commercial banks.

Roth has also been instrumental in blocking passage of bills that would have permitted the big New York banks to spread out in his area. At present, commercial banks in the state have limited branch banking; each commercial bank is confined to its own district—there are nine in New York. Mutuals are restricted both geographically and numerically; they can only have banks within their city or county, and they can have only three branches in that area.

In Roth's backyard—Nassau and neighboring Suffolk County, for example—there are only five mutual savings banks. There are, however, 14 S&Ls in Nassau alone. "And these S&Ls," says George Mooney, superintendent of the State Dept. of Banking, "are the ultimate targets" of moves against mutual banking operations.

• **Some Success**—It's undisputed that Roth's stockholders have profited by his tenacious campaigns to block intruders into Nassau. He has built up Franklin National Bank—largely by mergers—from a mite to a \$548-million bank. This gives it a rank of 50th in the nation, and it is No. 1 in terms of return on capital funds. In Wall Street, the bank's stock is traded at about \$29 per share—yet it has a book value of only slightly above \$12 per share.

Though Roth's proposal at Chicago could go down to defeat, he figures to come out with some gains anyway. For one thing, his letter and long-distance telephone call campaign (at a cost of about \$40,000 to his bank) is stirring up banking sentiment to get the bad debt reserve for commercial banks boosted. **END**



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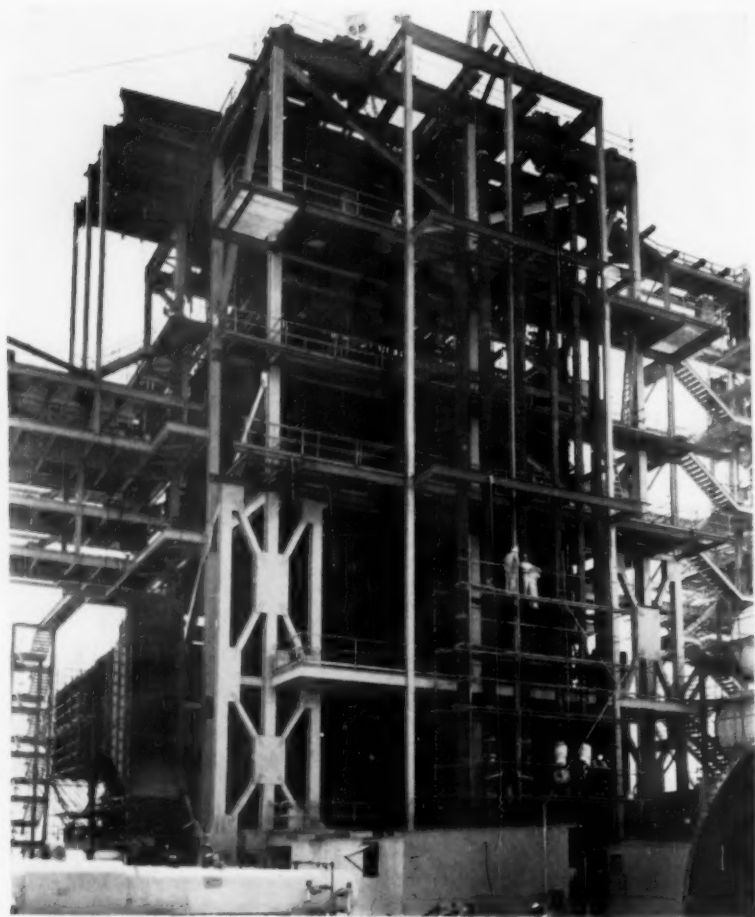
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Challenge to Fed

Board's indirect power to thwart mergers of state banks is being tested in suit brought by Grand Rapids bank.

A test case to establish who controls the expansion of the banking system was the center of attention this week at the annual convention of the National Assn. of Supervisors of State Banks in Milwaukee. The case highlights a fact that few bankers have realized: The Federal Reserve Board has deliberately begun using its powers over member banks to give it a controlling voice in proposed bank mergers that previously had been considered entirely within the province of state banking authorities.

The bank supervisors are responsible for regulating banks holding state charters. Banks having federal charters come under the supervision of the Comptroller of the Currency. But as most big state and national banks hold membership in the Federal Reserve System, the Fed's governors also come into the regulating act.

• **Suit Against Fed**—In fact, the governors have been sued by the Old Kent Bank & Michigan Trust Co. of Grand Rapids, Mich., which merged this year with the Peoples National Bank, also of Grand Rapids. Finding that the merger conformed to the state's banking law, Michigan's banking commissioner gave its approval. As a state bank, Old Kent did not need any other sanction.

But while the Fed has no say on bank mergers, its approval is required for the establishment of branches. And when Old Kent requested permission to operate the branches formerly held by Peoples National, the board turned thumbs down.

As the board sees it, the branches would have an "adverse effect" on banking competition in the Grand Rapids area. In taking this stand, the Fed was following the pattern set by its veto of a bank holding company proposed by New York's First National City and White Plain's County Trust (BW-Jul.1958,p36). In that case, the board also ruled that competition between banks would suffer.


First National City did not question the board's ruling. This was because under the Bank Holding Company Act of 1956, the Fed is not only given jurisdiction over bank holding companies but also is specifically charged with seeing to it that competition is not restricted by any merger or expansion of bank holding companies.

But there is no such provision re-



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garding the establishment of branches. And when the Fed turned down Old Kent's request, the bank immediately filed suit against the board of governors. It argued that the Fed has no authority to approve or disapprove branches on the issue of competition, and has no right to order the closing of branches already in operation.

• **Real Gripe**—While these are the legal points at issue, Old Kent's real beef is that by its power to rule on branches, the Fed has also taken over the power to rule on mergers.

Other banks and state supervisory authorities feel much the same way.

Last year, in fact, the Marine Midland Corp., a New York bank holding company, was prepared to merge with a bank in Attica, New York, got state authority for the move. But the Fed frowned on the establishment of a Marine Midland branch in Attica, and its refusal scotched the deal.

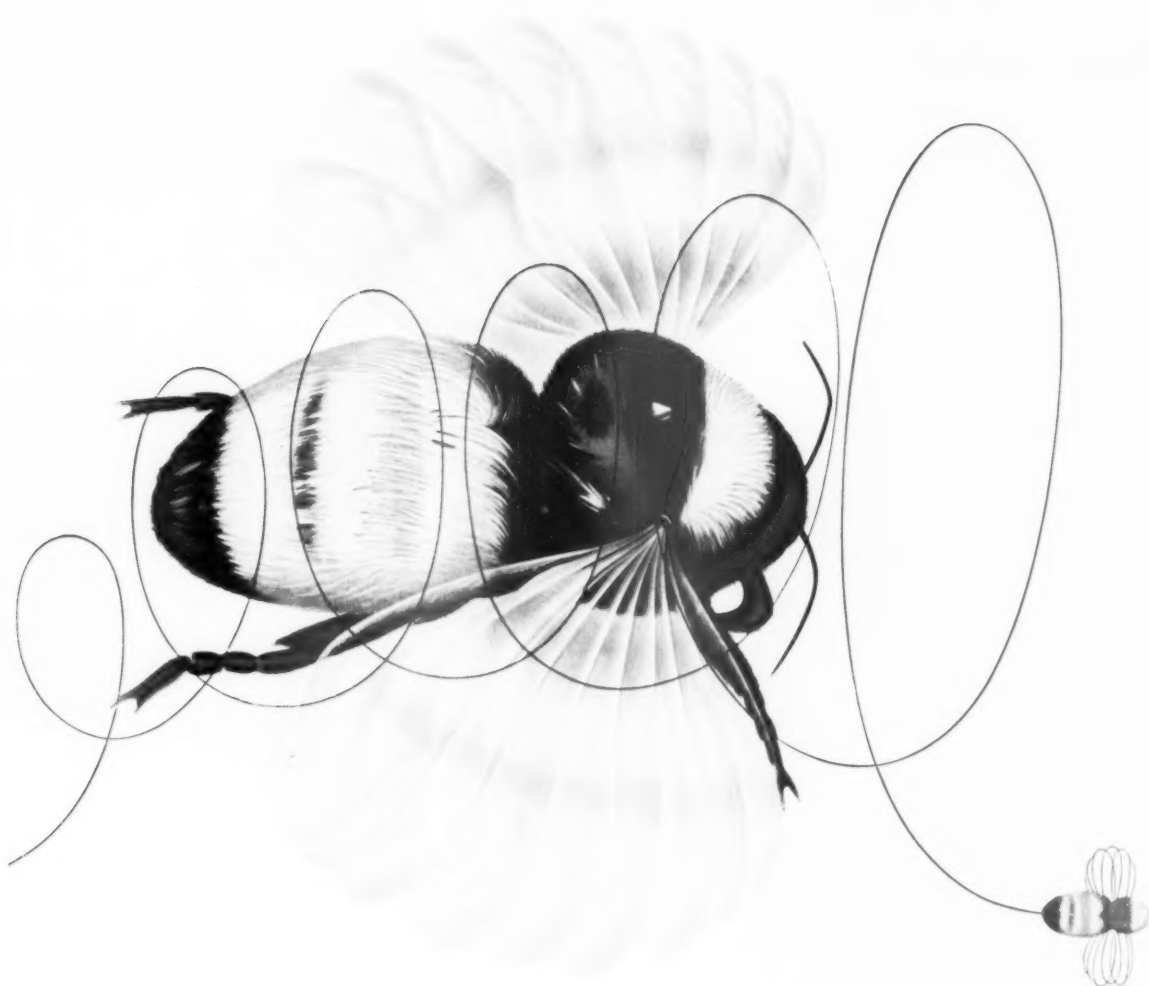
According to the state banking supervisors, their authority to deal with mergers doesn't count for much if the Fed can then step in and veto the establishment of branches. "After all," said one state banking official, "a lot of mergers take place to expand branches."

Some Fed critics feel that if its view is upheld, the expansion of the nation's banking system will be severely curtailed. As they see it, the natural road to expansion is through mergers, and they consider that the Fed's attitude is a barrier to mergers. One New York banker complains: "Now we have got to think more than twice before considering a merger. There's no longer any assurance that the Fed wants any expansion."

• **Fed's Position**—Fed officials deny that they want to curb expansion. They are primarily interested, they insist, on maintaining competition. If mergers lead to lessening of competition by having only one bank operate where there were two competing banks before, then they feel obliged to disapprove. But it is not the mergers that they are against, just the fact that competition is restricted.

In taking this position, it is obvious that the Fed is seeking to establish a uniform regulation on competition. In essence, it wants to have the court establish that the specific power to veto bank holding company expansion also applies to all banks.

• **No Quick Ruling**—Old Kent's suit is expected to clarify the question, but it is likely that any decision is a long way off. The Justice Dept., which is handling the case for the Fed, is not required to answer Old Kent's charges until the end of September, and officials intimated that they may ask for a delay. The actual case may not be argued until sometime this winter. **END**



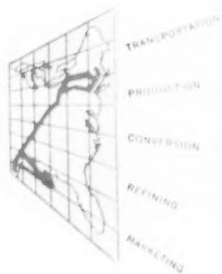
the bumblebee can't fly!

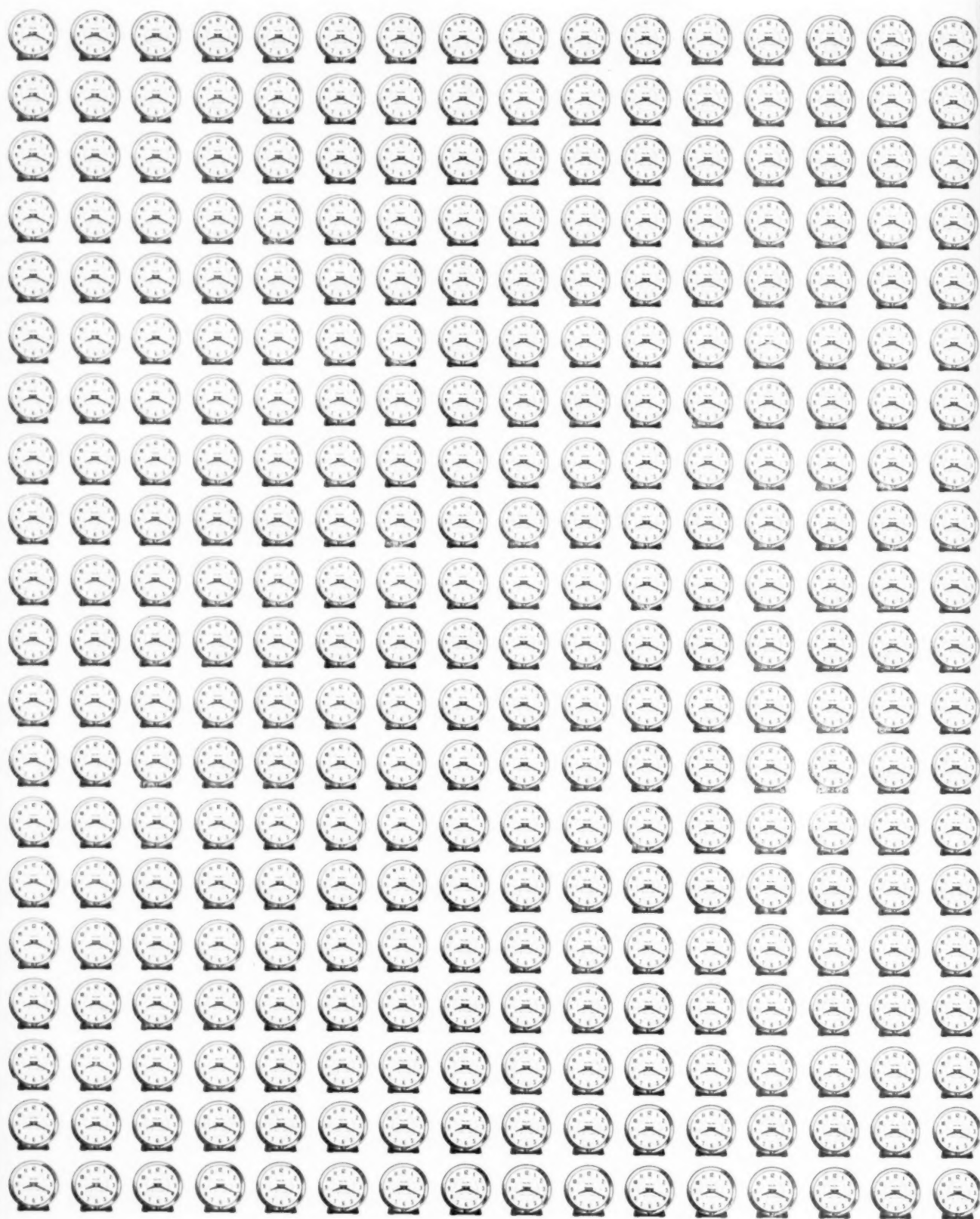
Aerodynamics can prove its body is too bulky for its wings. But the bumblebee doesn't know it. So, every dream of Man is haunted by the cry, "You know it can't be done." And every forward step is made by minds that didn't know . . . and did it.

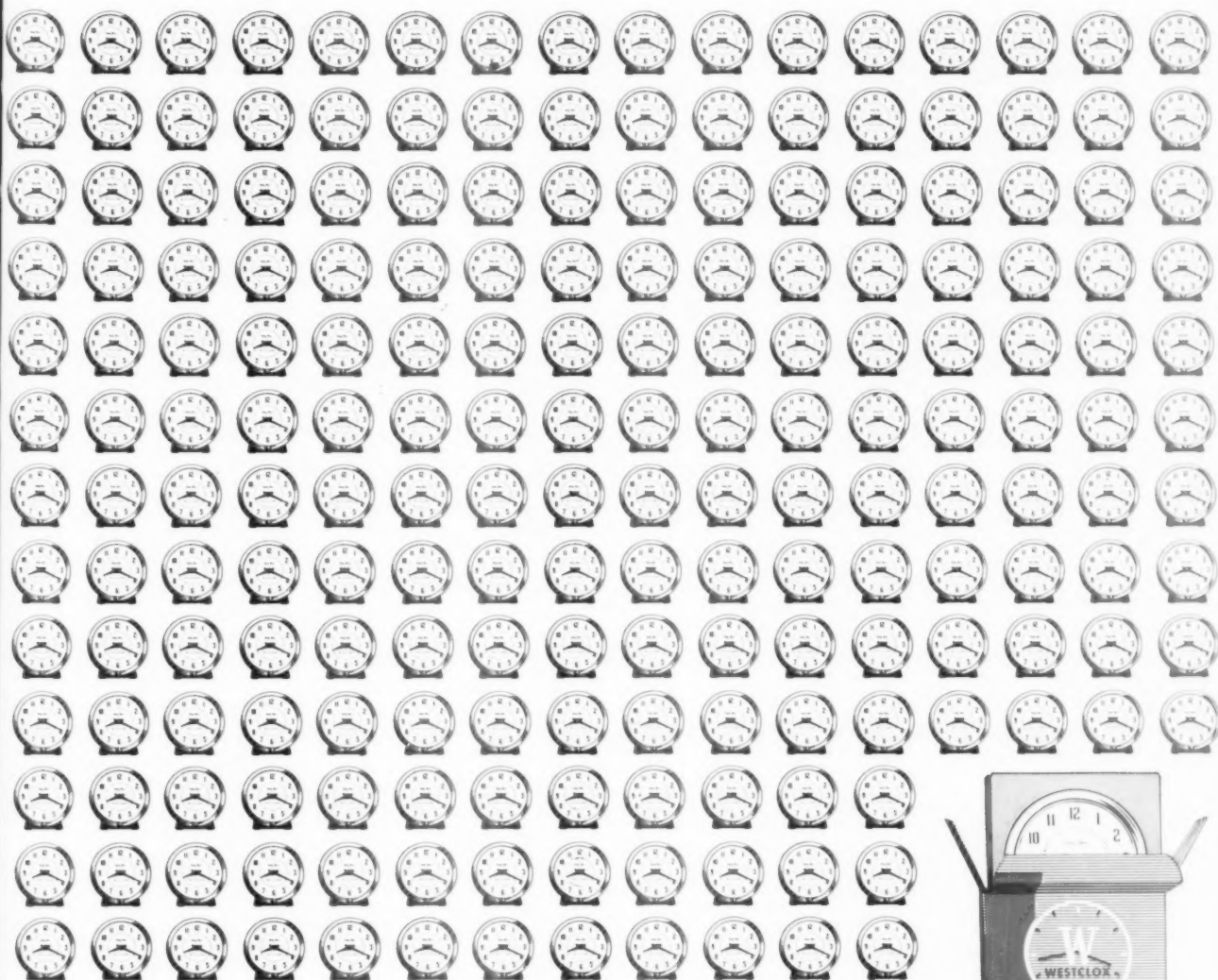
*From natural gas and oil . . . heat, power, petrochemicals
that mean ever wider service to man.*

TENNESSEE GAS TRANSMISSION COMPANY

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS
HOUSTON, TEXAS







Packaged in 12 minutes...all these clocks!

New St. Regis Package Saves Westclox \$52,000 Yearly!

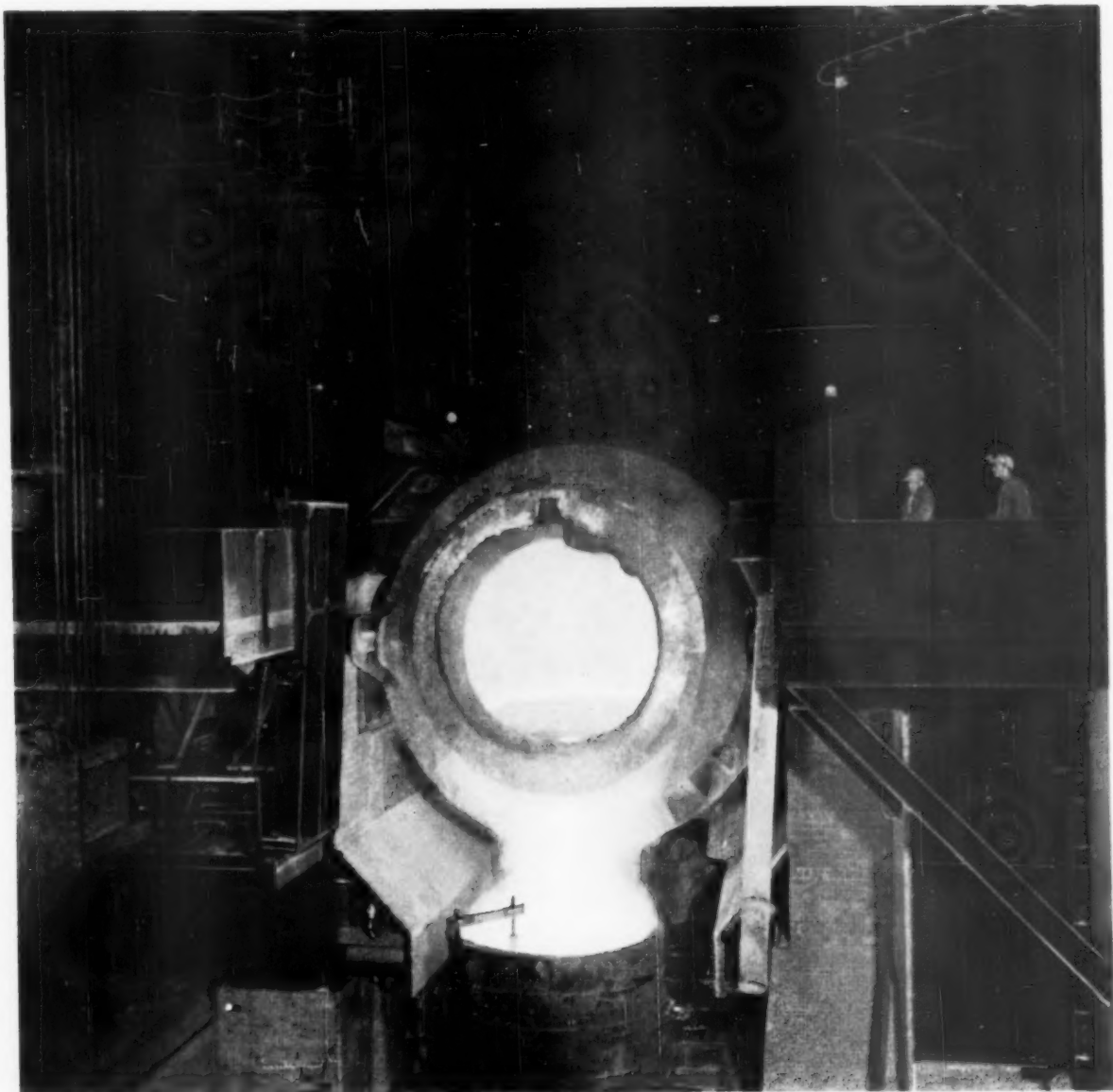
Don't bother to count them—there are 516 clocks! And Westclox packs them all in just 12 minutes—using new mechanized operations. That packaging rate, only yesterday, was unbelievable for such precision instruments. But it is now a reality, thanks to a new, ingenious carton developed by St. Regis.

This carton makes this new mechanized packaging system possible. What's more, only three basic sizes of this box can hold 20 different Westclox models. Result? An

average of 2,600 clocks packed every hour. Production increased 25%. Costs reduced \$52,000 yearly, thanks to tremendous savings in time, labor and cartons.

For new ideas, new products or new methods of packaging, shipping or storing, call "the company that builds its future on service." St. Regis Paper Company, 150 East 42nd Street, New York 17, N. Y.

St. Regis 
PAPER COMPANY
 150 EAST 42ND STREET, NEW YORK 17, N. Y.



McLOUTH DOUBLES OXYGEN STEEL CAPACITY

The vessel shown above produces 90 ton heats of Oxygen Steel. Two of these vessels—the largest producing in the world—have been added to the original Oxygen Steel making equipment and are a vital part of the expansion program at McLouth's Trenton, Michigan plant.

Ever since McLouth pioneered the first Oxygen Steel Process in the United States, we have continued to expand and improve our manufacturing facilities to bring you better steels for the product you make today . . . and the product you plan for tomorrow.

McLOUTH STEEL CORPORATION Detroit 17, Michigan
Manufacturers of high quality stainless and carbon steels.

In Washington

• • •

Commerce Dept. Wins Right to Run

U. S. Trade Show in Moscow in 1959

Washington has won out over a private U. S. citizen in a bitter little contest to see who would run the U. S. exhibits at a Russian trade fair. The State Dept. announced this week that under an exchange program signed with Russia last winter, the U. S. exhibit at Moscow's Gorky Park Fair next summer will be handled by the Commerce Dept.

Last year, both the Commerce Dept. and promoter Gottfried Neuberger were dickering with the Russians for the rights to a 1958 exhibit—Neuberger got the contract to sign up U. S. exhibitors for the show. However, Neuberger failed to line up enough U. S. businessmen to make the venture a commercial success—so the project fell through.

In addition to the Commerce Dept.'s exhibits of U. S. cultural and scientific progress, private industry will be invited to sponsor displays next year. In return, Russia will show exhibits at New York's trade fair at the Coliseum next summer.

• • •

Highway Building Costs Go Up,

Gas Tax May Be Hiked Accordingly

Watch for a move in the next Congress to boost the federal gasoline tax, which is now 3¢ a gal. Budget Director Maurice H. Stans says more money must be raised to keep the multibillion-dollar highway program on a pay-as-you-go basis.

The rise in construction costs and the acceleration of roadbuilding under the 1958 Highway Act make it look as if the trust fund—made up of highway user taxes on gasoline, cars, trucks, tires, etc.—will fall about \$1-billion a year short.

For the 1958-59 and 1959-60 fiscal years, Congress removed the statutory provision that required pay-as-you-go financing, but the Administration is reluctant to add to the general budget deficit, estimated at more than \$12-billion in the coming year.

An increase of 2¢ a gal. in the tax on gasoline would make up the \$1-billion a year that's needed.

• • •

New Formula Drafted to Dole Out

Limited Urban Renewal Funds

The Urban Renewal Administration has come up with a new formula for parceling out slum clearance grants to cities. The change is needed because the agency has only \$154-million in available funds, but has applications on hand requesting twice that amount.

The formula, based on 1950 population figures, is

designed to fix a maximum on the amount any city can get. Without the new rule, only about one-fourth of the 112 localities with applications pending could receive any of the available funds. Officials say the new plan makes it possible for most of the communities to get some of the funds requested.

The hope is, of course, that Congress will vote more money for the urban renewal kitty next year. Officials, however, know they'll be running into the new budget-cutting drive at the White House.

• • •

CAA Chief Says Future Airports

Must Cope with "Bus-Type" Passengers

"Bus-type" air transportation is on the way, with passengers without reservations swarming onto airliners as they now do on buses and trains. And municipal airports must be planned with that fact in mind, Civil Aeronautics Administrator James T. Pyle told a Miami conference of mayors.

What's more, said Pyle, airlines must pay more attention to this mass transportation, if they hope to fill all the seats they'll have by 1962. Handling of tickets, baggage, and passengers will all have to be speeded up.

As for the cities, Pyle said they must draw up master plans for jet-age runways and terminals. He indicated that existing runways are generally strong enough, but not long enough.

• • •

Quesada Reportedly Has Inside Track

As Head of Federal Aviation Agency

There's a new spate of reports that Lt. Gen. Elwood Quesada, Pres. Eisenhower's personal adviser on civil aviation, will become the head of the newly created Federal Aviation Agency, which will supersede the Civil Aeronautics Administration.

There is much Congressional opposition to a military man heading the FAA. But Quesada has sufficient backing for Senate confirmation next year if he gives up his military retirement benefits.

• • •

Bulk Shipments of Nitromethane

Banned Indefinitely by ICC

The Interstate Commerce Commission has stopped all shipments of nitromethane by rail tank car or truck until further notice. Shipment in barrels is still allowed. The chemical is used as a lacquer solvent.

The action stems from two major accidents. The first occurred at Niagara Falls, N. Y., last January, and the second on June 1 at Mt. Pulaski, Ill., when two persons were killed and 40 injured. There had been an unofficial embargo on bulk shipments since the June accident.

The ICC has not yet determined the cause of the accidents and will continue its ban on bulk shipments until it has.

The Rush to Reinforced Plastics

The labs, producing more and better materials, plus widening markets—especially in rockets and missiles—are bringing fat growth in a static period.

The now-relaxing recession brought a rather abrupt halt to the growth of most of the plastics industry. But the reinforced plastics—one of the youngest infants in the industry—has kept right on adding size and muscle. Sales of the reinforced plastics are currently running 10%-15% ahead of 1957's record 168-million lb., and even conservatives in the trade are predicting a 20% additional sales jump next year.

Heavy and sustained work in the laboratory has brought new and better materials for sales in wider markets, with accent on the demands for new materials from the makers of rockets and missiles. Originally, the use of reinforced plastics was largely confined to machine housings, special pipes, safety helmets, and high-voltage transmission conduits. But lately, improvements in resins, reinforcing agents, and fabricating techniques have opened markets in transportation equipment, building materials, and such sports items as boats and fishing rods. Largest of all the new domains is missiles—rockets, with demands for such things as warheads, radomes, motors, and fuel tanks.

• Combination—Reinforced plastics are as simple to describe as they are complicated to develop. Essentially, you combine a resin with some such material as glass fiber, metal mesh, asbestos, or wood and there you are. To the added material, the resin gives some desirable quality—say, a higher strength-to-weight ratio, or greater resistance to fire. The resin—a semi-solid or solid mixture of organic compounds—is likely to pick up greater tensile or impact strength. Ideally, each material brings its own best qualities to the marriage.

The broadening of potential markets has brought a similar expansion in the scope of research. A much wider variety of resins is now being tested for use in the reinforced plastics. The polyesters are still the dominant group—used in 90% of all reinforced plastics last year—but the epoxies, low-pressure phenolics, silicones, and polyvinyl chloride are attracting increasing interest, with varying degrees of lab success.

New reinforcing agents are being sought in a similarly expanded range. Glass fiber still remains top favorite, with asbestos and sisal being preferred for special uses. But metals in all sorts

of combinations are now also being tried.

• Resins—The reawakened interest in the potential of reinforced plastics is evident in company as well as government laboratories. A whole batch of major chemical companies, for example, are now working on developing new resins for this use:

Du Pont is already test marketing some all-acrylic resins that are said to make plastics with great resistance to erosion and weather for construction and marine applications.

Hooker Chemical has reached an advanced developmental stage with a series of chlorinated polyesters. Hooker claims they are resistant to fire and stable to light, while coatings are being tried to improve their weakness for weathering.

Reichhold Chemicals has announced a high-temperature phenolic resin that can briefly stand temperatures up to 4,500 F. Called Plyphen, it can be laminated with glass cloth or asbestos. The light weight and resistance to heat of this resin might make it useful for a nose cone of a missile warhead.

Bakelite Div. of Union Carbide, a leader in resin research, has, among other things, recently developed an epoxy resin that's particularly suited for combination with metals. Bakelite is trying it out with steel, aluminum, and glass-steel—all with an eye to using the plastic to make dies for the metals industry.

Shell Chemical and **Atlas Powder** are both active in researching possible new uses of epoxy resins. Shell's 1310 is said to make a reinforced plastic that can stand extreme heat for extended periods. Atlas is seeking epoxy-polyester resins with high resistance to chemicals.

Rohn & Haas is trying some combinations of acrylic polyesters in reinforced plastics that are reported to give many interesting electrical properties.

• Additives and Fabrication—Research into reinforcing materials, additives, and methods of fabrication is just as active as that into resins. Among the companies leading in these fields are:

Monsanto Chemical, whose latest additive development is an organo-phosphorous compound that is said to lower the excessive viscosity of the epoxies, which stick so hard and so fast that

they are difficult to mold. The additive, called Mod-Epoxy, is also said to improve electrical properties.

Rand Development Corp., who has a new fabricating method that allows resin, reinforcing agent, and additive to be mix-sprayed in any combination by the plastics maker. Its oddly shaped, three-nozzle spray gun is being tested by Owens-Corning for use in such disparate products as boats and caskets (BW—Jan. 18 '58, p. 55).

The I. G. Brenner Co. which is trying out automation to cut the costs of making furniture of reinforced plastics. The Brenner method still has a long way to go, but it's already said to turn out 100 safety helmets per hour.

Libbey-Owens-Ford, which is seeking new kinds of rovings—parallel fibers not twisted into yarn—to use as mats for reinforced plastics.

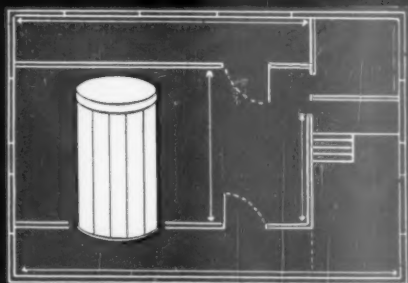
Raybestos-Manhattan, du Pont, Minnesota Mining, which are among the companies eagerly trying out anything from asbestos to nylon and Orlon as reinforcing agents.

• Fundamental Research—The companies interested in reinforced plastics are not confining themselves to applied research, either. Their labs are also busy on the more fundamental aspects.

One such area is the basic elements of adhesion. Centuries of observation have given a lot of empirical knowledge on adhesion, but science still doesn't know why one material will stick to something while another material won't. Reinforced plastics will make a long gain if this area—more broadly, the chemistry of interfaces—can be cleared up. Advances in solid state physics could help too. Instead of the present trial-and-error mating of resins with reinforcing agents, and then dabbling around with additives, it should theoretically be possible to predict accurately the success of each venture in chemical matrimony—when certain things—now only surmised—are known about how molecules inter-react.

The need for greater strength and greater resistance to heat in reinforced plastics is what is spurring fundamental research into the reinforcing agents. Glass—a non-crystalline material with no structure and little molecular orientation—is getting especial attention.

Corning Glass thinks it is making progress here. Its lab recently announced a method of bringing some semblance of order to glass molecules—a step that fascinates the pure scientist and offers whole new avenues of approach for the makers of reinforced plastics. **END**



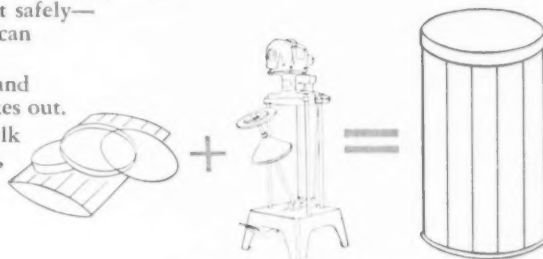
NEW SEALKAN IS *Packageered* * TO GIVE YOU 85% MORE FULL-USE STORAGE SPACE!

If you're space-conscious (and who isn't?) then take time out to consider SEALKAN'S many vital money-saving, space-saving reasons:

You save 85% more in storage and shipping space because New, instant-set-up Sealkan bulk container weighs only 19 oz., yet safely—ruggedly carries a full 45 lb. payload. One man alone can unload a full carload in less than 2 hours.

Plasti-Processed New Sealkan is totally leak-proofed and waste-free. Everything you put in—your customer takes out.

NEW PACKAGEERED SEALKAN is the modern bulk container for egg and dairy solids, semi-liquids, foods, dye stuffs, agricultural chemicals, cosmetics, drugs, hard goods and perhaps your product, too.



*CREATIVE PACKAGE ENGINEERING
TO BETTER FIT INDUSTRY'S SHIPPING—
HANDLING—STORAGE NEEDS.

Sealright

Sealright-Oswego Falls Corporation, Fulton, N. Y.—Kansas
City, Kansas—Sealright Pacific Ltd., Los Angeles, California—
Canadian Sealright Co., Ltd., Peterborough, Ontario, Canada.

SEALRIGHT CO., INC., FULTON, N. Y.

BW-958

I want to see how Sealkan can give me 85% more full-use storage space! Send me your "See Why" Test Sample.

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ ZONE _____ STATE _____

In Marketing

. . .

Hal Roach Studios Buy Mutual Network, Adding One Layer to Jacobs Pyramid

The Mutual Broadcasting System, radio network, last week again changed hands in a company-pyramiding move to create a more diversified broadcasting and entertainment company. Hal Roach Studios, Inc., acquired Mutual from a Los Angeles group for a reported \$2-million-plus. Mutual becomes a subsidiary of Hal Roach, itself a subsidiary of the Scranton Corp., which in turn is controlled by F. L. Jacobs Co., Detroit auto parts maker.

Mutual assets bought by the new owners consists chiefly of contracts with talent and with 446 affiliated radio stations around the country, as well as the Mutual name.

The network itself owns no radio stations. Mutual was formed in 1934 by a radio station group; in 1951 General Tire & Rubber Co. acquired control for its own broadcasting subsidiary, now RKO Teleradio Pictures, Inc. In August, 1957, RKO Teleradio sold the network to the Los Angeles group but retained radio and TV station holdings.

The new owners plan to acquire radio stations, and to increase the network emphasis on news, music, and sports broadcasting service to its affiliated stations. To tie in with Hal Roach TV film production and its film library backlog, they also plan to buy TV stations.

. . .

Smith-Corona Offers a Typing Course To Buyers of Its Portables

A course in touch typing is the lure Smith-Corona Marchant, Inc. is holding out to prospective buyers of its portable typewriters. The 10-day course, consisting of two long-playing records and a text book, is being offered free to purchasers in several trial cities, and Smith-Corona expects to advertise the offer nationally later this month.

The course is designed to teach children as young as eight years old, as well as adults. Retailers in test cities report good results from the course, Smith-Corona declares. Customers who want the course without the typewriters may buy it for \$12.95.

. . .

J. L. Hudson Departs From Full-Line Policy, New Branch Is Just Bargain Basement

Detroit's J. L. Hudson Co. is departing from its long-time merchandising policy of offering everything in one store to open a suburban branch of just one store department—the bargain basement. The new branch will be opened early next year in the Lincoln Park shopping

MORE NEWS ABOUT MARKETING ON:

- P. 70—Buick aims to rebuild the middle-price auto market.

center, which serves a primarily working-class community.

Hudson officials say they singled out one department for a branch because "we do not have enough room in the location leased to carry the full line of upstairs merchandise." Observers speculate, though, that the branch may be a first step toward an eventual Hudson-owned shopping center in the area. Other full-line branch stores are in Eastland and Northland centers, both of which the department store owns.

. . .

Skiatron Keeps Trying On Pay-TV, With Debut Now Set for Next April

Despite setbacks, pay-TV promoters are still making plans. Last week Skiatron TV announced:

- An agreement under which New York Telephone Co. will make preliminary studies to determine the "appropriate terms and conditions" for furnishing coaxial facilities for pay-TV.

- Development of a metering system to connect the home TV set with a central office and keep track of what programs are viewed.

Under the present agreement, according to Skiatron Pres. Matthew Fox, the phone company would perform the out-of-home wiring job, and the Reuben H. Donnelley Co., which sells advertising for phone books, would handle in-the-home installation, metering, and billing. Skiatron is paying for the preliminary studies, Fox said. Skiatron has also been negotiating with telephone companies in New Jersey and California.

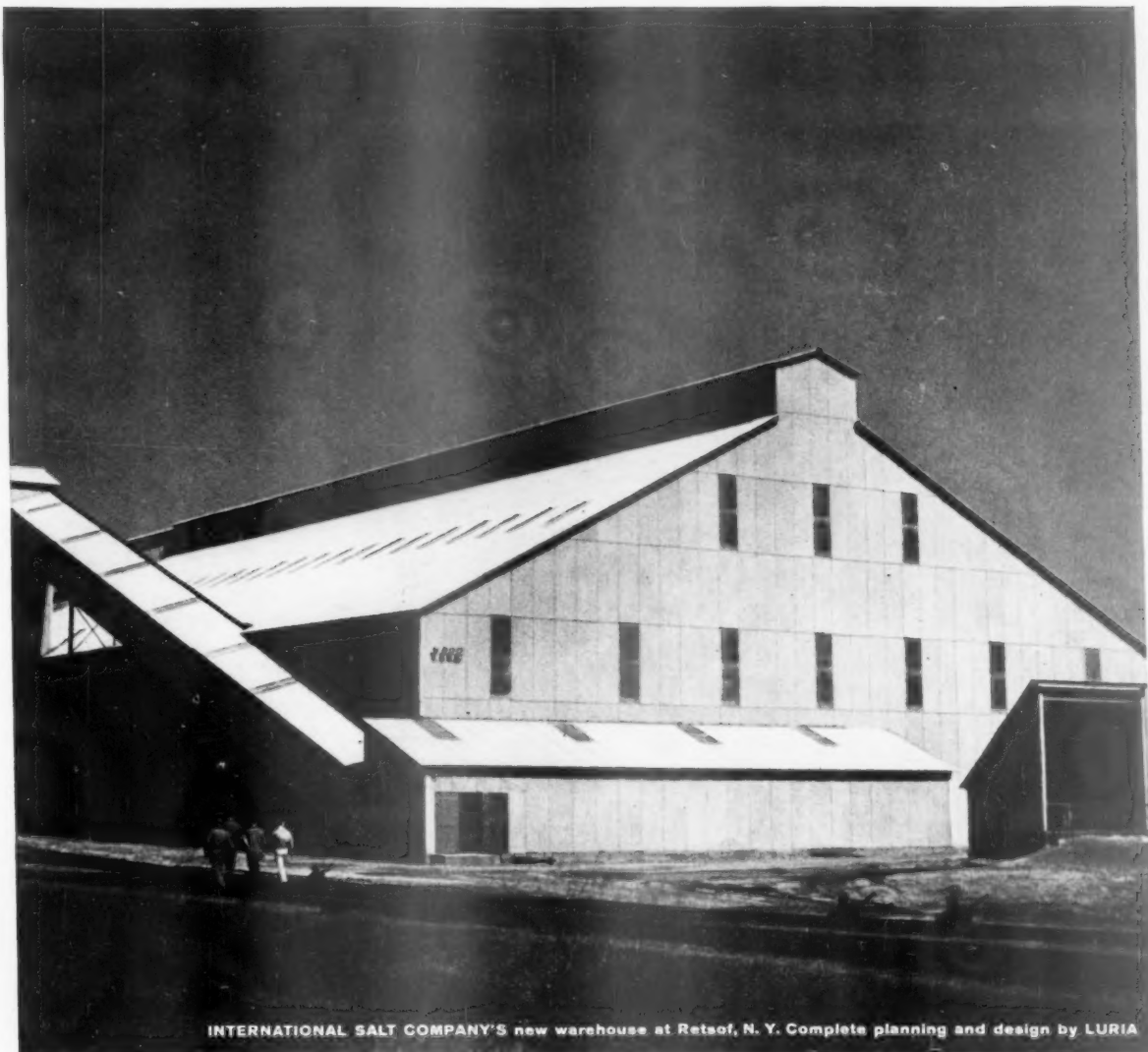
Fox has set next April as a starting date for pay-TV operations in New York, New Jersey, and California. He was unable to meet his original deadline—last April—because of technical snags.

. . .

Lorillard Cancels \$64,000 Challenge In Wake of Quiz Show Charges

A top quiz show got the ax last week and became the first casualty of the quiz show scandals (BW—Sep. 6 '58, p. 42). P. Lorillard Co. announced it canceled sponsorship of the \$64,000 Challenge following charges by a former contestant that the show's associate producer supplied him an answer to a question. The charge was later denied. Lorillard, which also sponsors \$64,000 Question, gave as reason for its action the need for more varied audiences, but its advertising agency, Lennen & Newell, had earlier reported the cigarette maker disturbed over the bad publicity.

In the meantime, TV soothsayers are examining TV ratings for clues to the effects on quiz show popularity. Results so far are inconclusive. For example, Trendex ratings for a dozen evening and daytime quizzes show seven with a reduced share of audience and five with gains.



INTERNATIONAL SALT COMPANY'S new warehouse at Retsof, N. Y. Complete planning and design by LURIA

"THE LURIA WAY"
IS YOUR NEW WAY
TO PROBLEM-FREE
BUILDING...

Why have so many top executives found themselves enmeshed in building problems?

Not because they particularly wanted to "get into the act." There just hadn't seemed to be any practical way for them to stay out of it.

"The Luria Way" takes you over that hurdle. Now you and your key men can devote *your* time and energies to the all-important activities of your own business. You leave to Luria the details involved in planning... design and engineering... steel fabrication... construction.

It's easier, faster, more efficient to build "The Luria Way." You will have a competent, fully integrated organization taking responsibilities off your shoulders. And turning over to you — on or *before* the specified date — the keys to your new building.

Make "The Luria Way" *your* way to problem-free building. Contact our nearest District Office for the full story.



LURIA ENGINEERING COMPANY
511 FIFTH AVENUE, NEW YORK 17, N. Y.

ATLANTA • BETHLEHEM, PA. • BOSTON • CHICAGO • DAYTON
PHILADELPHIA • PITTSBURGH • RICHMOND • WASHINGTON, D. C.

Buick Tests the 1959 Market

First of the new cars, its aim is to fight off the invasion of the medium-priced field

"One look at the car, one look at the year, and you just know Buick's going places in 1959."

With that note of optimism from Edward C. Kennard, general sales manager, the Buick Div. of General Motors Corp., this week, rolled out its new models (cover and pictures)—first of the 1959 crop to appear.

Eyes of the auto industry will be on Buick, bellwether of the middle-priced field, not only as the first on the market but also as a crucial test of the medium-priced brands' power to regain their traditional share of sales.

Apart from what it tells about the over-all auto market in 1959, reception of Buick's new models has more than normal concern for Buick itself. The division took a beating in this year's disappointing market, building only half as many cars through mid-September as in the same period of 1957. The



PREVIEW CROWD of suppliers gathers around the new Buicks at division headquarters in Flint, Mich. Other showings were staged for dealers and for press people.





MORE GLASS IN FRONT with the wraparound windshield also wrapped up into the front of the roof.

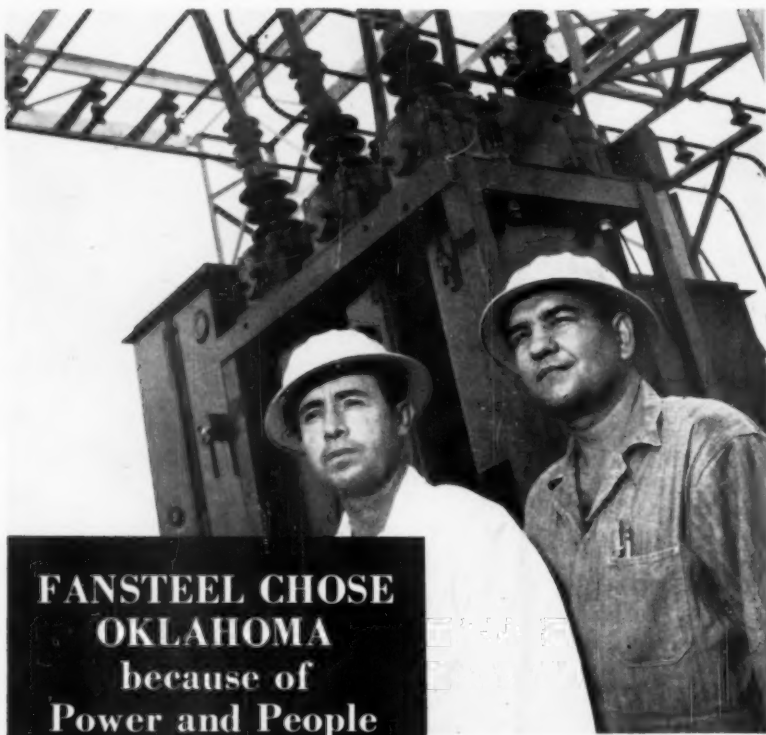


MORE GLASS IN BACK with the rear corner posts almost eliminated. In rear window treatment, sedans take on a station wagon look.



TAIL FINS sweep up and out, and continue as ledge the full length of the car.

GULL-WING FRONT is example of the massive treatment of sheet-metal sculpture.



FANSTEEL CHOSE OKLAHOMA because of Power and People

Power and people were major considerations that prompted Fansteel Metallurgical Corporation to choose Oklahoma out of 150 locations for its newest \$6,500,000 tantalum-columbium producing plant.

Exacting electric power requirements—enough to serve a city of 200,000 with high standards of consistency of service—were met by Oklahoma at exceptionally low rates.

Oklahoma supplied the plant personnel—people with the necessary level of education and inherent skills to perform the highly technical tasks that produce these valuable metals—people with records of integrity, industry and stability.

These factors, coupled with Oklahoma's many other advantages—among them plentiful good water and natural gas fuel—helped Fansteel to choose Oklahoma.

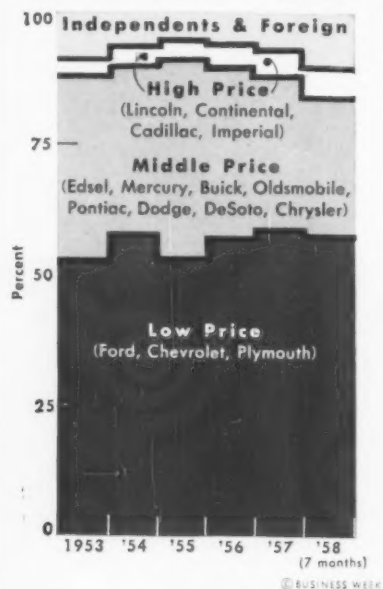
Western Electric, Fairchild Aircraft, Sylvania Electric and Bluebell Clothing companies are among the many other leading industries which have chosen Oklahoma. You'll learn there's an exciting and profitable story for you, too, in Oklahoma—"The New Frontier of Science and Industry."



P.O. Box 3327, State Capitol Station
Oklahoma City, Oklahoma

All inquiries completely confidential. Research studies, industrial tax advantages, and industrial financing information furnished free on request.

Auto Market Share



new line represents just about all any auto maker can achieve this year in new styling and new merchandising, under the long lead-time required by Detroit's system (BW—Sep. 13 '58, p. 32).

• **The Key Question**—As the long-time leader in the middle-price class, Buick epitomizes the problem that Detroit itself has posed by continually upgrading the so-called low-priced cars, both in styling and in price, to compete directly with the lower middle class. Buick, Dodge, and Mercury dealers find themselves competing less with each other than with Chevrolet, Plymouth, and Ford dealers, who have made great sales headway with cars loaded with extras and selling for about the same price, or even higher.

The big question for Buick and its classmates seems to be this: Can the traditional middle-priced car makers offer enough more in styling, quality, and prestige to prove that they can build this type of car better than the "low-priced car" factories?

I. Everything's New

If Buick fails to provide this proof, it won't be for lack of effort. The car is completely new—"It certainly doesn't look like a Buick," said one dealer, approvingly, at the previews. The five price lines of the past few years have been combined in three lines, provided with jazzy new names—LeSabre, Invicta, and Electra—as a means of emphasizing "a new generation of fine cars."

Advertising plans, under Buick's new agency, McCann-Erickson, Inc., have been thoroughly overhauled. In the past year, division management has been reorganized all the way from field



SUPERIOR STAINLESS

Automotive Trim

opens the door to sales

The magnetic *appeal* of solid stainless steel is stronger than ever for today's careful car buyers. It starts with inviting brilliance . . . keeps pulling with the promise of carefree enjoyment . . . clinches matters with the time-proved ability of stainless to keep new-looking to trade-in day.

● *Build sales with Superior Stainless!*

Superior Steel

DIVISION OF
COPPERWELD STEEL COMPANY
CARNEGIE, PENNSYLVANIA

For Export: Copperweld Steel International Company, New York

Correct Lubrication in Action...

How precision teamwork

In turning out some of the world's most precise controls for consumer and industrial use, the Robertshaw-Fulton Company employs rigid inspection procedures. Here you see an optical gage that checks tolerances on parts to within one ten-thousandth of an inch!



Complete Engineering Program
Proved Petroleum Products

Mobil

SOCONY MOBIL OIL CO., INC., and Affiliates: MAGNOLIA PETROLEUM CO., GENERAL PETROLEUM CORP., MOBIL OVERSEAS OIL CO., INC.

cut costs-saved \$12,532

Here's how Robertshaw-Fulton Controls Company and Mobil cut maintenance costs in numerous ways!

"Miracles with metals!" That's the description for the precision controls produced by the Fulton Sylphon Division of Robertshaw-Fulton Controls Company in Knoxville, Tenn. To turn out these finely engineered products takes the utmost coordination between machines and men. Here's where Mobil *Correct Lubrication* comes in.

Mobil engineers and plant maintenance personnel work as a team to solve maintenance problems and keep production at a maximum. For example: Bearing failures on controlled atmosphere

furnace caused occasional shutdowns. Mobil engineers and plant supervisors developed a special automatic lubricating system that solved extreme temperature problems. Result: *no more bearing replacements . . . in a year, \$2,700 saved.*

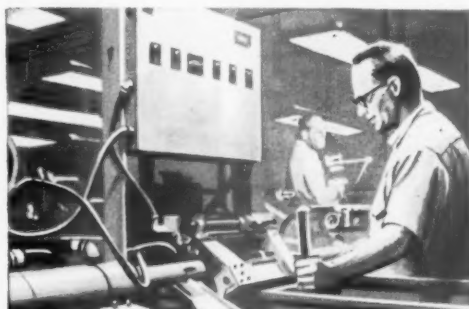
Here is just one of many examples of *Correct Lubrication in Action*. Imaginative engineering . . . research . . . laboratories on call . . . more lubricating experience than any other oil company back up a Mobil Program in a plant. Why not specify Mobil for your plant?



Turret lathe heads weren't indexing properly at times, resulting in losses on machined parts. Lathe had to be serviced several times a week. Mobil and plant men pinpointed trouble in soluble oil emulsion. New formulation solved problem . . . saved \$2,000 a year in repair costs alone.



Previously, it required stopping machinery while a man brushed lubricant from a 35-lb. pail onto gears. Now with new pressurized Mobilcote S dispenser application is quick . . . no interruption to production . . . consumption of gear lubricant cut 95%. And a more thorough job is done too!



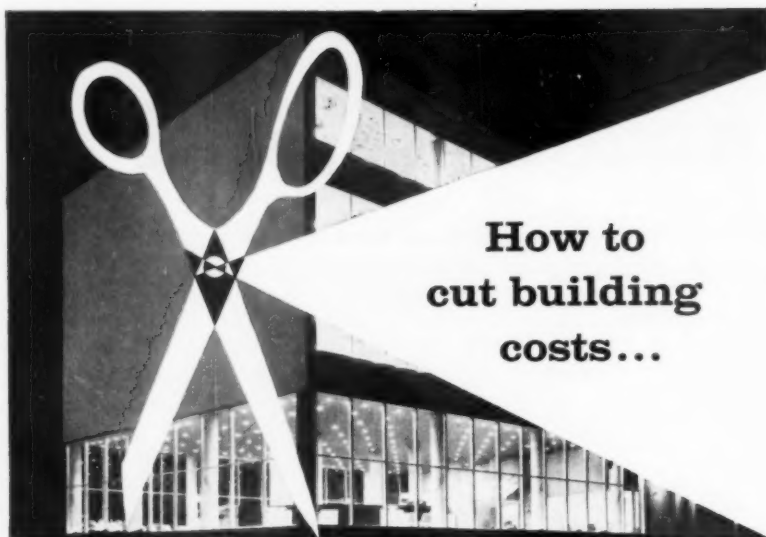
The four-way pilot valves on twenty-six hydraulic Corrugating Machines "froze" after shutdown over weekend . . . had to be disassembled and cleaned each time. Mobil analysis found trouble to be corrosion. Mobil recommendation eliminated trouble . . . saved \$2,072 per year.



The thirteen Redraw Presses were eating up oil. Mobil and plant men devised system that included mechanical improvements . . . tightened hydraulic system . . . installed collecting pans and used portable oil filter. Result: 9,600 gallons of oil reclaimed . . . \$5,760 saved annually.

Correct Lubrication

Another reason You're Miles Ahead with Mobil!

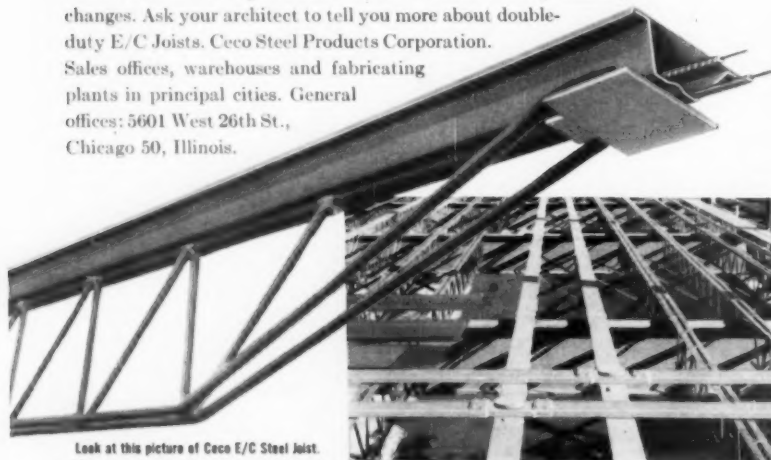


How to cut building costs...

Make one product do the job of two with Ceco's Electro-Channel Steel Joists

When you look at a completed building, you can't see under the floor. But you should be vitally interested in what's there. Especially if you can find a new product that does two jobs and cuts costs. There is such a product—Ceco's Electro-Channel Steel Joist. It supports the floor *and* carries the wiring for your telephone, intercom and power outlets. You save 50% in duct cost. You get "quality underfloor electrification," which allows you to move desks and business machines anywhere on the floor without costly building changes. Ask your architect to tell you more about double-duty E/C Joists. Ceco Steel Products Corporation.

Sales offices, warehouses and fabricating plants in principal cities. General offices: 5601 West 26th St., Chicago 50, Illinois.



Look at this picture of Ceco E/C Steel Joist. You won't see it in your completed building. But here's how it works two ways for you: (1) Supplies light weight but rigid steel floor framing; (2) Affords built-in under-floor raceways for concealed wiring for business machines and communication equipment. Listed by Underwriters' Laboratories.

This is the floor framing for a district office of a major petroleum company. Two wide ribbons in center (and at upper sides) are E/C Joists. Standard Open-Web Steel Joists are also evident. Two header ducts, horizontal in foreground, feed wires into E/C Joists. Result: Electrical flexibility, wide open office space—both at savings, both safe and reliable.

**CECO
STEEL**

IN CONSTRUCTION PRODUCTS
CECO ENGINEERING
MAKES THE BIG DIFFERENCE

Steel Joists / Steelforms / Concrete
Reinforcing / Windows, Screens, Doors
Cecoframe Buildings / Roofing Products
Metal Lath

.....

CECO STEEL PRODUCTS CORPORATION BW
5601 West 26th St., Chicago 50, Ill.
Please send Manual 3011 explaining Ceco Electro-Channel
Steel Joist construction to pass on to my building department
and architect.

name _____
position _____
firm _____
address _____
city _____ zone _____ state _____

level to headquarters at Flint, Mich.

• **The Real Competition**—At the heart of Buick's self-reform is the recognition in Flint that the real competition is the low-priced three's "glamor models," as Vice-Pres. Edward T. Ragsdale calls them. Buick is taking dead aim on the "upper low-priced" class with its new theme: "A car for two out of three new car buyers."

Buick's goal in its sales pep talks is 10% of the total market. That's nearly twice Buick's share of this year's market. And it's clear where Buick hopes to make its gains. At the previews of the 1959 line, a sign beside LeSabre, the lowest-priced Buick, spelled it out: "Competition—Dodge, De Soto Fire-sweep, Mercury Monterey, Pontiac, Plymouth Belvedere, Chevrolet Impala, Ford Fairlane."

II. New Market Lineup

Thus, Buick came to grips with the new facts of life in the auto world. The medium-priced and the low-priced markets can no longer be defined by nameplates, by the brands people buy—they can be defined only by what people spend on their cars. Detroit didn't create this situation intentionally, says Ragsdale, "but it shifts our thinking in relation to the market."

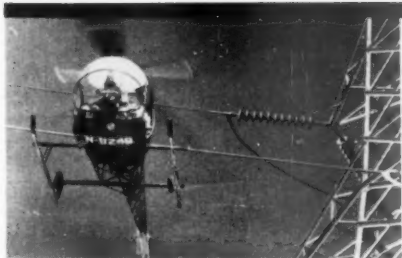
People have been buying the fancy Chevrolet Impala, Ford Fairlane, and Plymouth Belvedere (it will be the Fury in 1959) instead of the traditional medium-priced cars. And the lowest-priced cars in the middle class, the models that were counted upon for volume, felt the challenge most keenly.

According to a survey by Ward's Automotive Reports, "In the price range covered by the Buick Special two- and four-door hardtops and sedans, the 1958 Chevrolet is taking 32.2% of all sales. Number two is Ford with 17.3%, followed by Buick with 14.7%." Trailing are Plymouth and the medium-priced cars that used to be Buick's only competitors.

• **Only Two Groups Now**—Not many years ago, there were three clearly defined price groups: (1) Rambler, Chevy, Ford, Plymouth, Studebaker Champion; (2) at the other extreme, Cadillac, Lincoln, and Imperial; (3) in the medium range, all the rest of the brands. Today, the competition falls into two groups: (1) Cadillac, Lincoln, and Imperial; (2) all the rest.

As a price class, the middle field is still fertile. Last year, it accounted for 60% of all car sales—31% in the medium-priced brands and 29% in top-priced Fords, Chevis, and Plymouths. The ominous sign for the old-line medium-priced cars, though, is the downtrend in their combined share of the market—from 39% in 1955 to a shade under 31% last year to only 27%

Here's how to try a BELL in your business



Who uses the Bell? Businessmen, oilmen, engineers, ranchers. Among the 2000-plus users are represented every major class of business and industry. Last year all Bell models enjoyed their biggest sales. This year the recession has scarcely daunted the great upswing toward time-saving, money-saving helicopter travel.

Why Bell's special appeal in times of hard markets, tight spending? Simply this — *the Bell user himself* is spreading word of his remarkable find! One utility president tells another how the Bell saved \$3,500 a month in inspection costs. One manufacturer tells another how a Bell tripled the effective customer coverage of his sales force — or how it reclaimed hundreds of hours of wasted executive travel time. The testimony runs on and on.

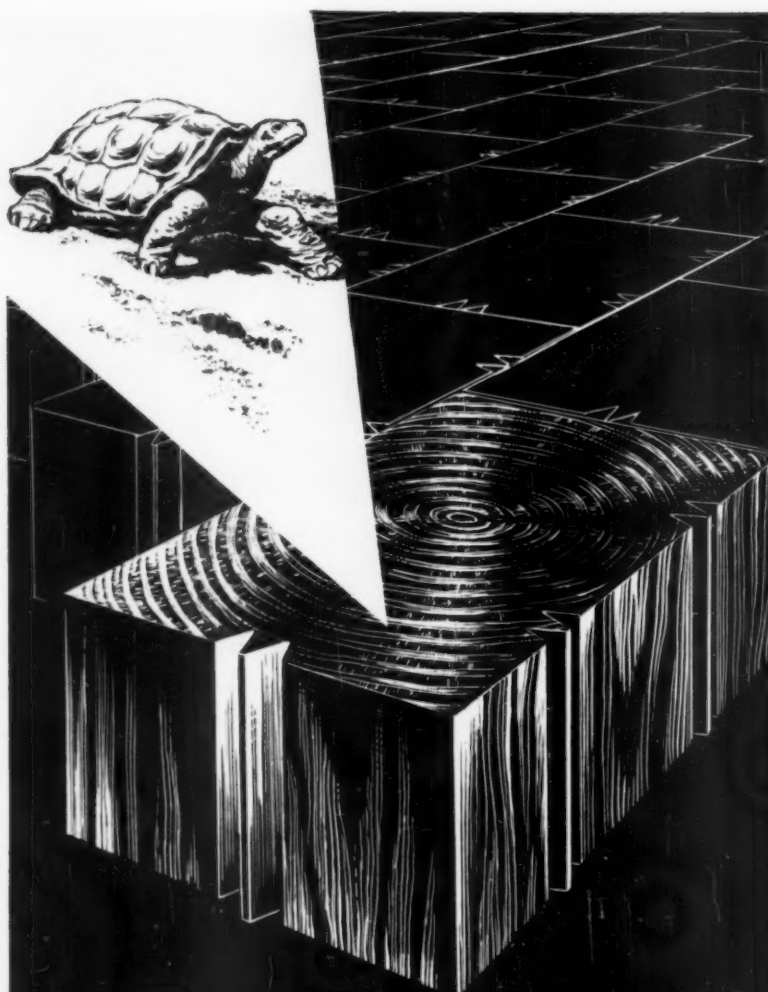
However, another businessman's success story can never answer your questions quite as well as *trying the Bell yourself*. Write or call us today for a Bell demonstration. Or do this: Write us for names of Charter Operators nearest you. We'll send them promptly, plus details of Bell's own Lease/Purchase Plan, and Bell-user reports. Department 11-I, Bell Helicopter Corporation, Fort Worth, Texas.



Extraordinary opportunities for highly creative engineers with extensive academic background—to enter the new and challenging field of helicopter research and design. Send Resume.

FORT WORTH, TEXAS

SUBSIDIARY OF BELL AIRCRAFT CORPORATION



Basically Permanent...

JENNISON WRIGHT KREOLITE

WOOD BLOCK FACTORY FLOORS

like turtles are noted for their longevity. These End Grain Wood Floors usually outlive the building where they are installed.

Beside durability, Kreolite Floors provide many other desirable features including greater resiliency and absorbency of noise, vibration, heat or cold. Treated with Kreolite Jennite, they are also skid and spark-proof.

Write for complete specifications and installation data.

THE JENNISON-WRIGHT CORP., TOLEDO 9, OHIO

Also Manufacturers of Railroad Ties and Kreolite Natural Colored Gym and Shop Floors.

through July this year (table, page 72).

• **LeSabre Test**—Although it lost the sales leadership in its field to Oldsmobile this year, Buick has been on top of the medium-priced group long enough to be regarded as the car that will have to reverse the sales trend if any car in the class can. The trail centers around Buick's LeSabre, which is priced opposite the "loaded" Chevis, Plymouths, and Fords.

In previous years, too, Buick has had its Special opposite the low-priced three, and LeSabre inherits that price level. But there's a psychological difference that shows the stress Buick is placing on meeting the challenge head-on.

LeSabre bears only the Buick nameplate—its model name is reserved for the sales effort; the Special bore a nameplate in which the model name virtually eclipsed the name of Buick, as if it was offered almost apologetically as a cut-rate car. LeSabre is "the" Buick; the Invicta and Electra are the steps upward, whereas the Special was a step downward from "the" Buicks.

LeSabre may well prove whether or not there is a place in the auto spectrum for a car a little bigger, a little more plush, with more of the intangible known only as "prestige." If it flops, Detroit can see only further pressure coming up from Chevrolet, Ford, and Plymouth.

This drift has already gone so far that an executive high in the industry remarked recently: "There isn't any low-priced car any more." This is the vacuum that imported cars, the Rambler American, and the small cars expected from the Big Three a year from now will be trying to fill.

III. Timing and Pushing

Buick brass is exuberant over the timing of this year's comeback effort. Managers look back to the 1955 market, when Buick sold a hefty 740,000 cars, as the source of heavy replacement sales. They feel Buick didn't quite succeed in smoking out repeat sales from the also big 1954 crop of cars, and some of those buyers may also be ready to take the plunge now.

The 1958 models, says Chief Engineer Oliver Kelley, simply weren't the "bombshells" of styling that he figures are needed to make customers "want so much to buy that they can taste it." Or, Sales Manager Kennard adds, to stand up against "appliances, swimming pools, world cruises, package vacations" in the competition for the consumer dollar, on which the automobile formerly had first call.

• **Styling**—Buick's market has always been broader than that of its direct competitors, and the new cars are styled to keep this breadth of range. Buick officials claim that the new



Bryant W. Langston, president of Samuel M. Langston Co., demonstrates a corrugated box that replaced a heavier box. Now the user saves \$3000 per year in shipping costs and gets even better protection.

Say "CORRUGATED" when you buy boxes

Suppose you want a box that's strong enough to protect your product, but light enough to save you shipping cost. A corrugated box is what you need. Say *corrugated*. Saying *cardboard*, *paperboard* or *pasteboard* isn't enough. You might pay more or get less protection. Of all modern packaging materials, nothing matches corrugated for its combination of strength, lightness, protectiveness and economy. That's why today more users are switching to corrugated than any other type of box. So be positive. When you want corrugated, say *corrugated*.

Langston doesn't sell corrugated, only the machines that make it. Since 1902, these machines have led the field in efficiency and dependability. Samuel M. Langston Co., Camden 4, N.J.

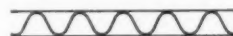
FOUR KINDS OF CORRUGATED FOR DIFFERENT USES



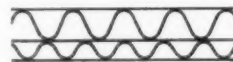
A-flute
for strength and cushioning



B-flute
for maximum crush resistance



C-flute
combines crush resistance and cushioning



Double-wall
extra strength for big boxes

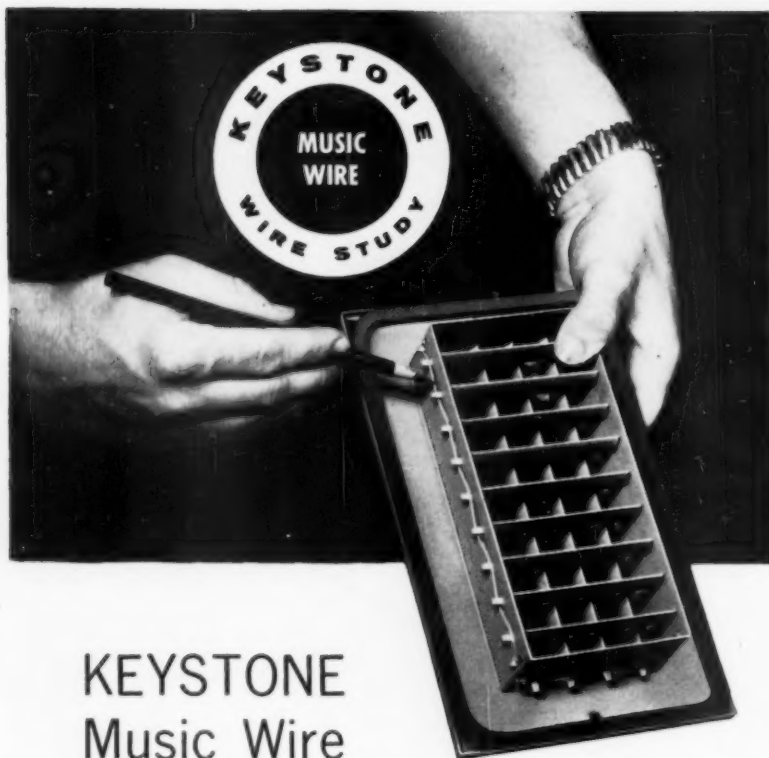
Easy, low-cost printing can make every corrugated box a traveling billboard

THINK FIRST
OF CORRUGATED



LANGSTON

Corrugated Container Machinery



KEYSTONE Music Wire plus TITUS Air Diffusers deliver quiet air!

Keystone Music Wire played an important part in the design and acceptance of these distinctive air diffusers produced by the Titus Manufacturing Corporation, Waterloo, Iowa.

Behind their modern surface plate is a surprisingly intricate louver design. Individual baffles control the air flow, and each baffle is held securely in position by a tension loop of Keystone Music Wire. Formerly, these louvers were riveted into position—a costly, time-consuming and precision process, since the louvers had to be held tightly enough to avoid annoying rattles, yet loosely enough to be easily changed or adjusted.

Keystone Music Wire solved the problem. It improved the appearance of the product, reduced production costs and permitted the widest possible range of adjustment. Since then, Titus has standardized on Keystone.

If you want to make a good product better, contact Keystone. The company's metallurgical staff will gladly work with you to determine how Keystone Wire can help.



Keystone Steel & Wire Company, Peoria 7, Illinois

KEYSTONE
WIRE FOR INDUSTRY

styling will appeal to younger people, yet will retain an elegance and simplicity that's in keeping with the top of its line, the Electra 225.

Chrome trim has been peeled away, and the multicolor appearance abandoned in favor of a solid-color, sleek, racy look. Color and trim combinations, in fact, have been reduced from more than 3,000 last year to a mere 25 this year. Interiors are trimmed according to factory plan, and variations are allowed only by special order, discouraged by Flint.

The aim is to put only tasteful-looking cars on the road, where they are virtually moving advertisements for Buick. Besides, the reduction in style numbers helps immensely in production scheduling and in the dealers' inventory problems.

• **Advertising Blitz**—Buick's merchandising plans have been wholly revamped to take advantage of what its designers and engineers are offering. The new advertising agency, McCann-Erickson, regards the first 90 days of model introduction as the time that tells the sales story, so it is shooting for maximum exposure to the public in magazines, newspapers, billboards.

The biggest change is Buick's plunge into television. This Friday's spectacular is *Roberta*, starring Bob Hope, with two more Hope shows scheduled in the next two months; Buick will sponsor *Wells Fargo* on alternate weeks. Buick's new TV pitch man is a California newscaster named Cleat Robinson.

McCann-Erickson also booked 403 spot radio plugs in 283 market areas and 10 five-minute Bob Hope radio spots on NBC's weekend Monitor program through mid-December.

"Buick," says Kennard, "is going to be advertised as it has never—ever—been advertised before."

• **Market Research**—Since it won the Buick account early this year (Buick had dropped the Kudner agency), McCann-Erickson has thrown all its shock troops into the campaign. Its research branch, Market Planning Inc., has taken one reading of public reaction to auto brands and will take another in November. It exposed about 300 new car buyers to advertising themes, found that "people loved to talk."

"People who say the consumer is blasé about autos," says account executive Myron McDonald, "just don't know. The guy who says they don't want something better is nuts."

Market by market, McCann-Erickson and Buick are going to custom-plan their campaign, with the agency's men in the field to work with marketers. For the first time, Buick will have in full operation an IBM 705 data processing system that will enable the factory to get daily reports of sales, by style and model. **END**



THIS MOWER'S FIRST RIDE

is by Truck-Trailer!



BEFORE it ever touches your lawn, the modern "riding mower" takes its first and longest trip via Truck-Trailer to your neighborhood store. So too do *all* the handy, modern power tools and push-button appliances in this era of the mechanized garden and the automated home.

What a far cry from the itinerant peddler of bygone times is the distribution system of today's far-flung hardware and appliance industry in America. Appliance makers, hardware manufacturers, and power tool builders everywhere take full advantage of rapid, mobile, versatile Motor Transport to get goods to thousands of metropolitan and

neighborhood outlets exactly when they're needed, and when they can be sold. Here is a freight system perfectly geared to offer quick, direct distribution service to a busy industry that is highly seasonal in nature and dependent on efficient freight-timing.

Wherever there is a manufactured or processed product, there are trucks and Trailers ready and able to ship it anywhere in America. In fact, practically every article now in common use, including clothing, medicines, food, and furniture, is moved at some point between manufacturer and user by highway. Every day, trucking grows in importance not just to some industries but to everyone!

**Trailers Serve The Industries
That Serve The People**



Member of



American Trucking Industry

Rescuing Experts From Pasture

Stavid Engineering has picked up valuable brainpower by hiring men forced into retirement by age limits elsewhere.

In January, 1954, Bell Telephone Laboratories, Inc., faced a problem. One of its top men, Oliver B. Jacobs, turned 65 in the midst of designing a multi-channel transatlantic telephone cable. Under a hard-and-fast rule of the parent company, American Telephone & Telegraph, all personnel must retire at the end of the month in which their 65th birthday falls.

The solution Bell Labs devised had far-reaching results for Stavid Engineering, Inc., a small but aggressive Plainfield (N. J.) electronics outfit from which Bell was then hiring "engineering services." Stavid (BW—Feb. 15 '58, p. 97) makes electronic components and develops weapons systems, navigation controls, and missile guidance mechanisms, mostly for the government. Bell asked Stavid if it would hire the vital Jacobs, then send him back to Bell as a consultant. Since Bell offered a fee that would cover Jacobs' salary, plus administrative expenses and a "reasonable profit," Stavid said sure.

• **Senior Manpower**—This amicable arrangement really started Stavid rolling

with a program of giving top jobs to men who had retired from Bell or the armed forces but were reluctant to stop working (pictures). Called "senior scientists," they draw a salary of \$8,500 to \$15,000 a year—plus their retirement pensions—and give Stavid in return a pool of knowhow unavailable from its own relatively young engineering staff. The experienced elders are also a useful sales argument in pitching for a new contract, and they are featured in Stavid's institutional advertising.

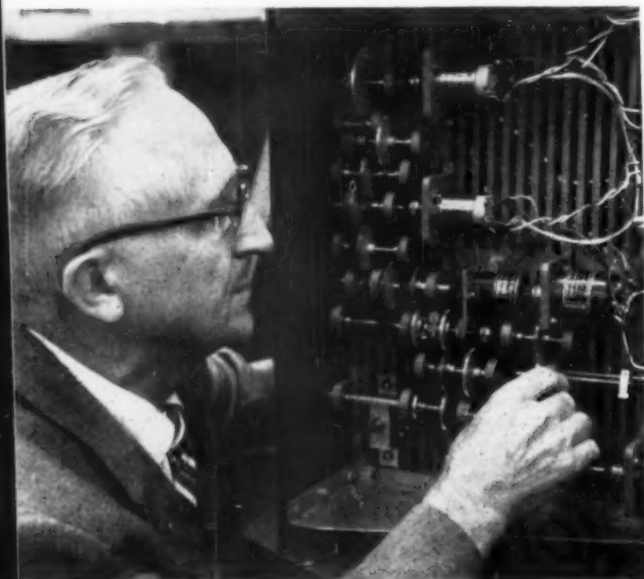
It's not unusual for a company, perhaps prodded by a local "Over 40" Club, to hire older workers for production or semi-skilled jobs. Occasionally, a retired executive is even hired for some specific assignment (BW—Dec. 7 '57, p. 74). But Stavid has deliberately assembled a full-time roster of leading men from the ranks of the retired.

• **Flood of Applicants**—Actually, Stavid had hired retired men before Jacobs came along. In 1950, Andrew Boland went to work as salary administrator fresh from retirement at Western Electric, and back in 1948 a 67-year-old blueprint operator was put on the payroll. But the hiring of Jacobs started a full-tilt parade of top brains from Bell nearing their 65th birthday.

William A. Schneider, Stavid's development vice-president, was "flabbergasted" to find men about to retire so



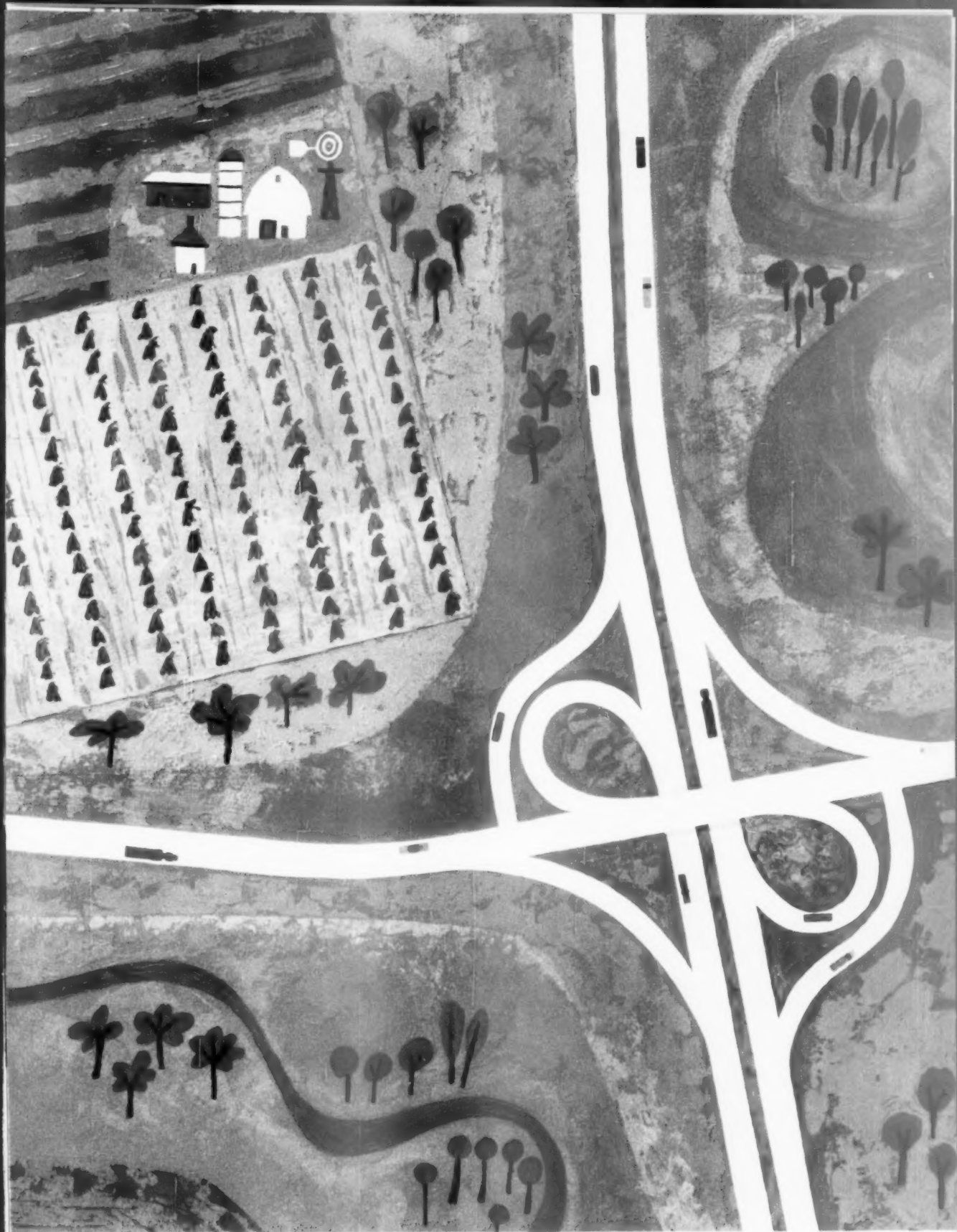
72-YEAR-OLD Andrew Boland (seated) came to Stavid as salary administrator in 1950 from Western Electric, is still going strong.



ANTENNA DESIGN is forte of C. L. Van Inwagen, retired Bell scientist. He checks big mockup of a radar servomechanism.

BELL LABS alumnus H. T. Budenbom works on weapons system development problems at Stavid.

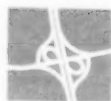




INTERCHANGE USA ➔



Interchange USA



Rough clearing

Specify Cummins for dependability



Highway design was revolutionized when the first "cloverleaf" interchange went into operation in 1928 at Woodbridge, New Jersey. Since then, the interchange has become such an indispensable part of our highway system that nearly 9000 rural interchanges alone are planned in our new Federal Highway Program.

Cummins Diesels were first applied to motor trucks and other haulage equipment for roadbuilding over 25 years ago, and their efficiency and long life have since made them one of the most dependable power sources for the construction industry.

Today, Cummins power can be specified in more than 300 models of all types of construction equipment. The machines shown above and on the following pages are Cummins powered.

CUMMINS *powered equipment in action:*

(Clockwise from top left) Pacific end dump • Diamond T trailer dump • Insley backhoe • Wooldridge scraper • M-R-S scraper • Bay City shovel • Euclid bottom dump • Eimco crawler tractor • Kenworth (Canadian Kenworth) end dump • Bucyrus-Erie shovel • International "Payhauler" • "Scoopmobile" dozer • Mack end dump • Brockway flat bed truck with Reich drill • Worthington compressor • Lima shovel and Le Tourneau-Westinghouse dozer.



Interchange USA



Final base work

Specify Cummins for fuel economy



An interchange is custom designed to suit local traffic conditions. Costs may run from \$120,000 to upwards of \$10 million—exclusive of highway. Modern machines and methods permit year 'round construction in nearly every area.

By standardizing on Cummins, contractors can reduce road-building costs. Cummins Diesels offer proven fuel economy—saving as much as 50¢ per operating hour over competitive diesels!

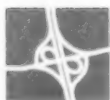
Another feature that influences the over-all economy and long life of a Cummins Diesel is its dirt-proofing system. Air cleaners, caps, connections and oil system provide the most efficient protection against the effects of dirt on today's high horsepower engines.

CUMMINS *powered equipment in action:*

(Clockwise from top left) Adams grader • KW-Dart end dump • Iowa-Cedarapids rock crusher • Joy compressor • Cline dump • Marion shovel • Galion grader • Huber-Warco grader • Gradall (Duplex Div. • Warner Swasey Co.) • Manitowoc crane • Cook Bros. redi-mix • International (Emeryville) tractor • Hough front end loader • Oshkosh end dump • White tractor with American hoist on lowboy • Wagner dozer • Autocar tractor and lowboy and Thew Moto-Crane.



Interchange USA



Paving and Finishing

Specify Cummins for more profit



By 1969, nearly 41,000 miles of limited access highways will be constructed at a projected cost of 39.5 billion dollars. Interchange costs may approach or exceed 25% of the total cost of the program.

Because of its potential volume and compact design, the interchange has become a sought-after project—one where standardization is desirable. To assist contractors in standardizing, more than 100 additional models have been added to the growing list of Cummins powered equipment in the last 2 years.

Today, more manufacturers utilize Cummins engines than any other independent make of diesel, ranging from the 75 h.p. J-4 (used in road rollers and shovels) to the 600 h.p. VT-12 (used in dump trucks, shovels, tractor-shovels, dozers and scrapers).

CUMMINS *powered equipment in action:*

(Clockwise from top left) Hayes dump • Pettibone-Haiss bucket loader • Link Belt shovel • Crane Carrier redi-mix • Worthington paver • Peterbilt dump • Koehring paver • Four Wheel Driver water wagon • International dump (on bridge) • Walter truck (under bridge) • Hendrickson tractor with Cummins powered generator on lowboy • Cummins powered finisher • Michigan scraper • Austin Western grader and Buffalo-Springfield compactor.



INTERCHANGE USA

In thirty years of development, the interchange has become indispensable to the modern highway system as a proven means of providing safe and fluid traffic flow. The diesel engine has become the accepted power for the equipment that builds these interchanges and roads.

In roadbuilding, for more profit, specify and standardize on Cummins Diesels in your new equipment. Specify Cummins when repowering too.

Specify Cummins when repowering

- **Cummins Engineered Repowering.** Installations in old equipment can be made on the job site, or in the Cummins Distributor's shop, especially equipped for engine conversions.
- **Cummins PT Fuel System.** This simple system, exclusive on Cummins, is foolproof. With it, maintenance costs are drastically reduced over any other system—gasoline or diesel.
- **Cummins Dirt Proofing System.** The positive dirt protection designed for new Cummins Diesels can be specified on Cummins power installed in your used equipment.
- **Cummins Long Engine Life.** Longer engine life with lower operating costs is a proven result of Cummins engineering research and full field testing.

- **Cummins Service.** Here is the most unique distribution organization in the country today. More than 300 service points are available throughout the United States and Canada. Call them for a repowering recommendation now.



gives you the big plus

CUMMINS ENGINE COMPANY, INC., COLUMBUS, INDIANA

EXPORT — CUMMINS DIESEL EXPORT CORPORATION — COLUMBUS, INDIANA, U. S. A. — CABLE: CUMDIEX
OVERSEAS FACTORY — CUMMINS ENGINE COMPANY LIMITED — SHOTTS, LANARKSHIRE, SCOTLAND — CABLE: CUMSCOT SHOTTS TELEX

healthy and full of vital job ideas.

In all, Stavid has hired about a dozen top-level alumni of Bell or the services. Some, like Jacobs, spend most of their time as outside consultants, but are on call when Stavid needs them. For instance, last month Edward A. Allen was summoned from Ft. Monmouth, N. J., where he is assisting the Army with radar weapons systems, to help Stavid sell a development contract in California. Others work full-time with Stavid's younger engineers on everything from antenna design to liaison with armed forces laboratories. A few, by suggesting entirely new approaches, have helped Stavid garner some healthy government research jobs.

In addition, some of the oldsters shoulder administrative burdens for Schneider and Pres. David F. Sanders. It's expected that the brass—not some second-string scientists—will show up at technical symposiums, government briefings, and the like. But Stavid can spare its top officers by sending a man such as H. T. Budenbom, who holds some two dozen patents and supervised the initial electronics development for Nike. With their broad backgrounds, the senior scientists can often get more out of a conference on several technical topics than could a younger man conversant in only one field.

• **Big Names**—Stavid's elders include some top names. Harry Nyquist, long a network analysis expert for Bell, is the author of the Nyquist Impedance Diagram, a standard short-cut in designing electronic devices. John G. Ferguson helped work out underwater torpedo defenses for the Navy.

Not all of them are scientists. E. S. Hoffman, 73, was recently hired in Washington as a contract representative to negotiate for government research money. Boland, despite his 72 years, is still salary administrator. He did retire from Stavid a few years ago but returned to harness after a brief taste of leisure.

• **Good Records**—Stavid insists the older men, thanks to "depression days work experience," show a "better attitude" toward their jobs than the junior employees. At any rate, they do score better than the engineering force as a whole in statistics such as attendance.

Of course, there is some pampering of the elder experts. On the first day of a snowstorm, one man is apt to call and ask for the week off; he usually gets it. Others want long vacations for travel abroad; the company usually obliges. In one case, a senior scientist took off for Europe right in the middle of a major project. His younger colleagues were miffed, but management just explained that when the man came to Stavid, it was with the understanding that in exactly two years he would be given a leave of absence to travel. **END**

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

BUSINESSES totally unrelated to ours are frequently brought to our attention as possible acquisitions. When we do not acquire them, invariably we are asked, "Why not? It's a good business and would add X dollars to your volume and profit."

That is very often true. Businesses we turn down may be wonderful buys—for someone else. Some diversified companies operate a number of totally unrelated businesses—and do so, apparently, with considerable success. Such companies can expand very rapidly and build an impressive sales volume by picking up "good buys" wherever they may occur—in such diverse fields, for instance, as soft goods, machinery products, chemicals, and electrical equipment.

Our policy is to diversify only into businesses *related* to those we are already in—related from a manufacturing standpoint or a marketing standpoint, and preferably from both standpoints.

Our recently acquired interest in Automatic Voting Machine Company illustrates very clearly our policy of "Related Diversification." We are in three basic types of business: registering and measuring devices, control devices, and power tools. Since voting machines are essentially registering devices, they are related to us from a manufacturing standpoint. And since they are bought by local governments, they fit naturally from a marketing standpoint into our Municipal Division, which also sells to this market parking meters, water meters, valves and certain other products.

We feel that "Related Diversification" gives us maximum benefit from the abilities of our management, marketing, and manufacturing people, and from our manufacturing facilities. That is not to suggest that our kind of diversification is the only right one, but only that it is the right one for us.

It grows out of our basic reason for diversifying in the first place, which is not merely to grow bigger, but always to grow *stronger* in our chosen fields.

* * *

A special line of nickel-coated Nordstrom lubricated plug valves, especially useful in the refining, chemical, food processing, and paper industries, has been introduced by our Meter and Valve Division. The new nickel-coated valves have almost the same qualities of corrosion-resistance as more costly solid nickel or stainless steel valves, and also offer improved mechanical and physical properties.

* * *

Earlier this year our Register Division, which makes taximeters, announced the first Annual Rockwell Public Service Awards Contest to recognize contributions which driver-representatives of the taxi industry make to their communities. Among the many candidates nominated so far are: a Baltimore cabbie who found a \$7,000 payroll in his cab, and returned it; a Pittsburgh driver who helped police nab a bunco expert; and two Boston cabbies who saved three lives in a raging fire.

* * *

A new multi-colored 20-page catalog describing the unique operating principle of the magnetic drive Rockwell Sealed Register water meter has just been published. This meter, which has been described as the first major advance in water measurement in the past 50 years, employs magnetic force to turn the registering mechanism. This eliminates the need for a stuffing box, and makes possible an hermetically sealed register that stays clean, dry, and free from fog.

One of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends





National Cash Register Breaks New

Chmn. Stanley C. Allyn (above) steers his company away from making primarily cash registers into more promising markets.

With a promising new field, or an advanced product, how far and how fast should a company jump? Technological advance is fine to talk about, but, as some companies have learned to their sorrow, it takes skillful maneuvering not to get so far ahead that you have to fall back in a rout—or so far behind that you fail to catch the market.

At that sort of maneuvering, Stanley C. Allyn (picture), chairman of National Cash Register Co., has proved

unusually adept. He has pulled his company from what was essentially a one-product outfit to the No. 2 place—behind big International Business Machines Corp.—in the whole business machinery industry.

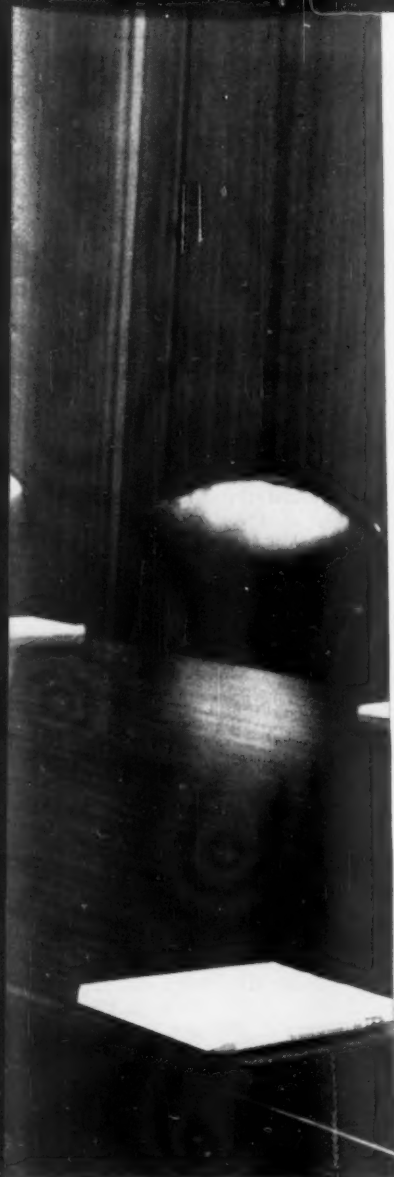
• **Catching Up**—Although NCR was late in making a serious attack on the accounting machine field—not until the end of World War II—it has moved easily into the lead in that specialty. Its latest move—an electronic-mechanical system for bank automation—was unveiled last week.

Its first big general-purpose computer—the \$1-million “304”—will be installed next year, at S. C. Johnson & Son, Inc. which hardly makes NCR a pioneer in highbrow electronics.

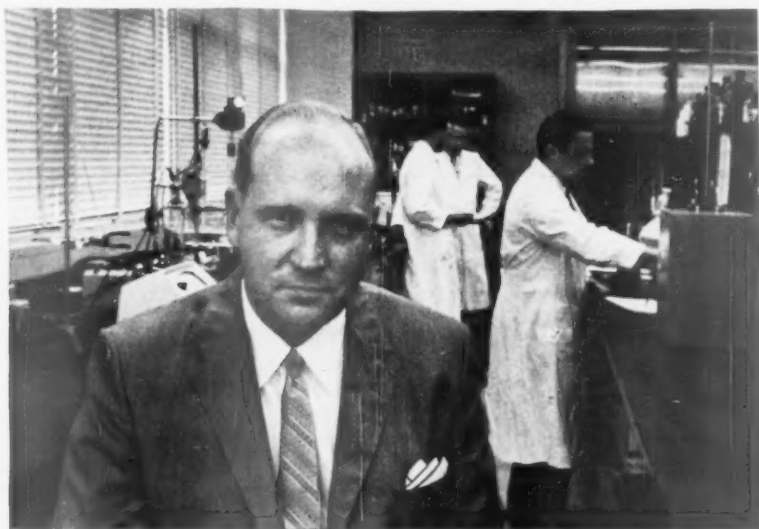
“We’re getting in a little late—as we have on other products,” Allyn admits, drily. “But we never mind being a little late. We learn a lot by others’ mistakes—and if all the prospects for anything are going to be sold in the first two years, it’s a damn poor business to go into, anyway.”

Besides, Allyn likes to go after the businesses that others tend to overlook. Computers, he suggests, may indeed become the keystone of business operations of the future, but he’s betting his money on the things that make the computer go—the auxiliary equipment that feeds the information in and takes it out—and on the smaller special-purpose machines.

National is hardly new to the business



SALES VICE-PRES. John M. Wilson is getting new lines of mechanical and electronic office machines to sell, some of them tied in with NCR's own first big computer.



RESEARCH VICE-PRES. R. G. Chollar has a series of new products ready to come out in the next year or so. NCR is even working on chemical storage of data in computers.

Ground

equipment field—although definitions of the field vary widely. By one measure, NCR originated the whole thing when it built the first cash registers in 1879. On its nearly \$400-million in world-wide sales volume, NCR ranks well up among the contenders in the field, however it is defined.

• **Unchallenged Leader**—On cash registers, there's no question. NCR takes between 80% and 90% of all the new domestic business; its biggest competition comes from the used machine market, especially since a register has a long useful life. Overseas—although most of

PRES. Robert S. Oelman (right) gives NCR's best-selling Post-Tronic accounting machine an approving pat.



Look what Riegel paper is doing:

- * Saves your shirt
- * "Pull" in the film business
- * For fine-line drawing

* No tickee, no washee . . . but the "tickee" isn't any use if the laundry loses your shirt. Riegel helps keep



track of your laundry with a special tough little paper tag that stands steaming hot water and detergents without going all to pieces.

* There was a time when a piece of photographic film had to be spliced onto the end of rolls being developed, just to give a "leader"



for pulling the film through processing machines. Naturally this was expensive. Now a tough Riegel paper does the leader job successfully, in spite of chemical immersion, high dryer heat, and mechanical wear of handling and threading.

* Detail drafting paper has to be pretty nearly all things to all draftsmen: dimensional stability, strength, erasures without linting, ink over erased areas without blurring, and colors easy on the eyes. Riegel Detail Drawing Paper has all these qualities and more. It's another of 600 papers tailored by Riegel for the needs of industry. Can we help you with your paper problems? Riegel Paper Corporation, P. O. Box 250, New York 16, N. Y.

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Riegel

TECHNICAL PAPERS FOR INDUSTRY

its European operations were wiped out during World War II—it still takes some 60% of that market, against competition from Swedish, German, and Italian companies. Its machines even crop up in Russia.

The registers are still increasing in sales though Allyn says he's been hearing about "saturation of the market" ever since he joined the company in 1912. Sales are spurred by population growth, the shift of population centers, the trend to self-service. The Great Atlantic & Pacific Tea Co., for example, not long ago bought simple \$75 machines, for its supermarket now buys far more intricate \$1,500 checkout registers.

With National's registers going into dozens of other service areas—hotels and banks, for instance—there's still lots of room to grow. And NCR now offers a new electronic register that can do so many tricks as to become a new type of machine altogether.

I. Range of Products

But cash registers are no longer the major factor, and the name is really not representative of the company now.

Last year its accounting machines passed registers in sales volume. Allyn lumps standard cash registers in the "static" side of the business equipment business—along with typewriters, adding machines, duplicating machines—"where new sales are made only because the old machine wears out."

He has been steadily steering the company into what he considers the "dynamic" side of the business—mechanical or electronic products that are sufficiently advanced both to effect labor savings and to "pay for themselves."

The reasoning here is simple. There's no end to growth in the office equipment industry. Every person who is employed brings with him a mountain of paper work. With the rise in standard of living, the number of checking accounts has doubled over the past decade. Last year, close to \$2-billion worth of "white-collar labor-saving equipment" was installed—yet the number of clerical workers continued to increase.

"With this stage set for even more revolution," says Allyn, "everything is playing into our hands."

II. How Electronic?

Allyn is not scattering his shots. Although NCR insists its equipment goes as much to industry as to service business, its current product development points most clearly toward two areas that are probably ripest of all for even rudimentary automation—banking and the retail trades.

Witness its Post-Tronic, an electronic-mechanical check-posting machine, and its Sales-Tronic, a super cash register designed as a basic feeder for a central computer control. The Post-Tronic, introduced only a year ago, has become the hottest single item NCR ever made.

• **Accounting Machines**—This best-seller grew out of NCR's bookkeeping machine business.

Although NCR has had accounting machines available since 1929, it never tried to market them seriously until the late 1940s. Then it really put the pressure on. It started by revamping its entire sales organization, dropping entirely the "agents" and dealers it had formerly worked through, and setting up a system of direct sales and service offices.

More important, it concentrated as much on service as on new sales: If a bookkeeping machine gets out of order, particularly in a small company, operations can bog down. Branches were spread.

In cities like New York or Los Angeles, single central offices were expanded into a dozen or more, so immediate service could be supplied anywhere in the area.

These tactics worked so well that NCR today sells more than half of all the non-punchcard bookkeeping machines in the country.

• **Electronics**—As electronics shaped up as the successor to mechanical equipment, NCR turned in that direction. Although NCR spokesmen talk electronics a lot, actually Allyn is taking the steps slowly. In fact, much of NCR's equipment loosely referred to as electronic is still primarily mechanical with electronic refinements.

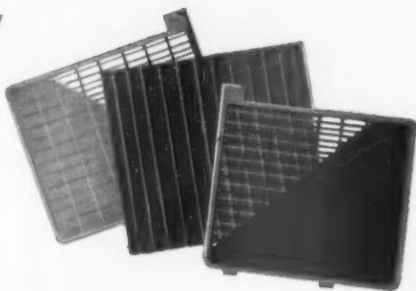
Allyn feels others have made some serious mistakes by jumping cold and whole-hog into some of the more complicated electronic areas. He has worked instead on gradual refinements of NCR's own strong points.

Besides, Allyn has done his own arithmetic on the future of administrative electronics. His long-term market estimates: for big general-purpose computers, maybe 1,000; for mediums, 4,500; for small ones, 15,000. But the figure for small, special purpose electronic machines he puts at a minimum of 150,000—and that's the area he's staking out for National Cash.

• **Big Brains**—NCR is making a large computer (in conjunction with General Electric, which is doing much of the actual electronic work on it), and already has orders for six, the first of which will be installed next year.

Although some NCR spokesmen are violently enthusiastic about the big brains, Allyn expects neither to sell very many—with a concededly limited market and with competition like IBM,

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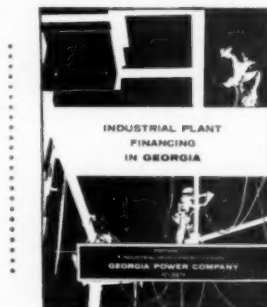
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Remington Rand, Burroughs, and a dozen others to buck—nor to make much money on them.

But the big brains are going into the line for several reasons, probably the least of which is prestige—to have a big one on the top to shed some glory on the rest and help promote sales of smaller stuff even to customers who aren't considering buying a computer right now.

Far more important is the fact that NCR will now be able to offer "a really complete" data processing system, with a flow all the way from the first point of contact—the cash register or the original bookkeeping entry.

Thus, its new computer and its new Sales-Tronic directly key together.

III. For Big Stores

The Sales-Tronic is the register compleat. With the proper attachments, it can not only ring up a sale but also punch on a tape this additional information: the clerk's number; the customer's account number; the classification of a sale (cash, charge, C.O.D., send, or take with); the color, size, stock number of the item; the vendor; the various taxes, and other items. All this could be written up in essentially one operation by one clerk.

The tapes, tied to a data processing unit (preferably a computer, but tabulating systems can be used), theoretically could supply a department store with automatic overnight reports on inventory, departmental comparisons, fast-and-slow-selling items, and even the commissions that are due the individual clerks.

• **Costly Machine**—Allyn doesn't expect the Sales-Tronic to sweep the field overnight. For one thing, they're not cheap—up to \$8,000 for a fully equipped machine, compared with \$2,200 for the average department store register. More pointedly, widespread use would require extensive revamping of the entire department store procedure.

It's going to take proof of at least one successful installation to overcome the normal inertia. NCR will make some partial installations soon, for trials in single departments, but no storewide installation is yet in sight.

Other companies are already making small computers that could tie in with NCR's automated registers. But Allyn takes it for granted that when they've got their own data processing system ready, "it would be far more natural for the customer to buy a whole system designed to work together, with supply and service from a single source, rather than pick up the pieces separately."

NCR people vehemently deny any intent to sell their central computer as a "loss leader"—but they concede, and expect, that the real profit will lie in



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"the couple of hundred Sales-Tronics which would act as the inputs for each single computer."

IV. For Banks

The Post-Tronic is something else. It comes closer to Allyn's theory of gradual buildup in a new area. In one way, it is the first unit of what NCR plans as a fully automated system for banks—but, unlike the Sales-Tronic, it serves a complete function all by itself. That's how this one item, with a \$12,000 price-tag, has in 15 months accounted for \$40-million—well over 10% of the company's machine sales.

- **New Units on Way**—NCR has just unveiled the next couple of units in its banking system—an encoder to print magnetic ink ciphers on a check in a code to identify the name, amount, and routing, and a check sorter that will be able to sort 7,500 checks an hour into account number sequence, regardless of the size or weight of the paper.

The timetable for the next two years includes the addition of other elements—an automatic lister, tape recorders and readers, automatic statement-ledger feeders—all to be capped by its 304 computer to wrap banking up into an automatic, error-free, and fast process.

- **Step at a Time**—The step-by-step process permits NCR to concentrate on developing one product—and on testing the market for it—one thing at a time.

The new check sorter, for instance, was developed jointly by NCR, Pitney-Bowes, Inc., and General Electric. NCR had the mechanical knowhow in the banking area, Pitney-Bowes is expert in the mechanical handling of paper, and GE supplied the electronic ability.

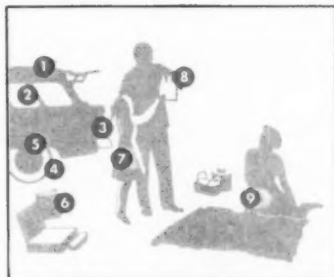
For bankers, too, the step-by-step process has advantages. Bankers, as much as anyone else, worry about margins, cost-cutting, and labor-saving, but they are also conservative about turning traditional systems upside-down overnight. By extending their change in equipment over several years, they can improve a system markedly, without discarding forms they are used to.

- **Middle-Sized Brain**—To branch out into wider fields, within the next month, NCR will begin to market a new electronic accounting machine called the Computronic. This will sell in the \$16,000 to \$20,000 range, appealing to the host of companies that are too small for a larger computer but that still want greater automation of payroll, invoicing, and other accounting practices.

NCR's main strengths still lie more in the mechanical areas than in the purely electronic—and in the electronic area, there's plenty of rough competition. "But make no mistake," Allyn says, "mechanical bookkeeping is still going to be around for quite a while. It isn't enough simply to have elec-



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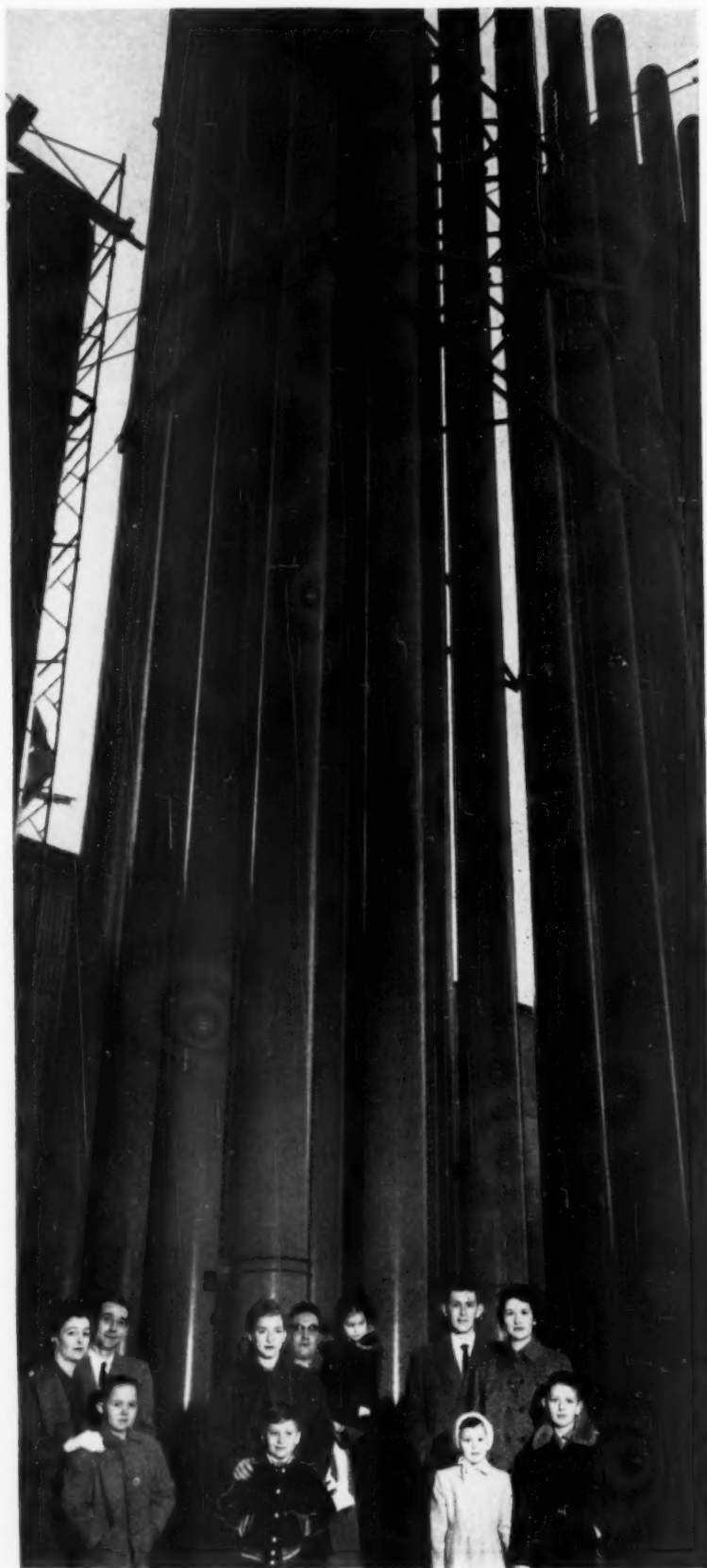
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WSW 7241



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tronics skill—you've got to have a system to sell, and know how to sell it." He's sure, for that reason alone, that when the current race for a place in electronic business equipment shakes down, NCR will be one of the four or five survivors.

V. Tricks With Chemistry

While National is building its background in electronics, it's also jumping into a strange chemical sideline.

NCR has always had some chemists around. Its machines involve a good deal of printing and, before World War II, it had a research program for improving or eliminating inked ribbons. This led to investigation of the possibilities of coating paper with chemicals to reproduce impressions on impact. It took almost 12 years before NCR finally marketed paper forms that need no carbons for duplication.

• **Commercial Uses**—Out of this research, two other developments arose.

One, the longer-range probability, suggests a computer with a "chemical" rather than "electronic" memory. NCR researchers found dyes that are sensitive only to certain waves of light, changing color with incredible rapidity as the exposures are varied. These sensitive dyes, coated on paper, could be used to store impulses or "memory," as the magnetic cores or drums do in today's electronic computers. If the system works out—NCR is building a prototype now—it could mean computers with far greater memory capacities in far less space, possibly a lot cheaper, too.

The other, a far more immediate outgrowth, is a technique of enclosing a liquid in capsules of gelatin so tiny that the resultant product has the look, and almost the texture, of dry flour. The product is actually 80% to 95% liquid—in effect a solid liquid.

At the moment, NCR is working or holding conversations with almost 1,400 other companies that are interested in the technique. Some of the possibilities: solid and tasteless castor oil or other liquid drugs; instant coffee with the aroma sealed in against evaporation; perfumed facial tissues that don't release their scent until the moment of use.

• **Great Day Coming**—All in all, Allyn is so excited about the future of the company that he's in no hurry to step down—although, at 67, he's only one year away from his nominal retirement date. He pointedly notes that he is the largest individual shareholder of record, and that his family and some trusts hold additional stock.

"I've obviously got an important stake in what happens to the business," he says. "I'm feeling fine—if I left, I'd only start some other business. Now with the company entering a new phase, I want the fun of seeing it through." **END**

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BW-9

In Management

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Corporations to Replace Individuals As Political Leaders, Professor Predicts

With the growth of big corporations, business is destined to take over political leadership from the groups that once held it. So says Andrew Hacker, assistant professor of government at Cornell, in a paper just published by the Fund for the Republic.

Hacker argues that the typical middle- and upper-middle-class man, once an individual entrepreneur, today works for a large corporation and expects it to "assume rather broad obligations toward him." These corporate citizens, without roots in a specific community, "are prepared to sever the old attachments and to move to new locations, to pursue their careers in whatever part of the country their employer sends them to." This new middle class is also essentially without property.

As a result, says Hacker, today's corporation employee is a political nonentity. He will probably be diligent about voting, and he may occasionally sign a petition or write his congressman. But he stays aloof from party activity, "the only way to be effective in the process of self-government" because "independent political behavior . . . might jeopardize his corporate career."

This doesn't mean that the corporate middle class is not active in community affairs. Its members care about good schools, Red Cross, and slum clearance—things Hacker calls civic virtues, not political. The danger, Hacker warns, is that the country will soon "be confronted with a vacuum in political leadership" into which the corporation will move, knowing the policies it wants and enjoying "direct access to the higher reaches of the parties and the government."

• • •

Anaconda Moves Into Construction Field As Olin Mathieson Tries to Get Out

Anaconda Co. has set up its own engineering company, which intends to bid actively for all kinds of plant and building design contracts. Called Anaconda-Jurden Associates, Inc., the new subsidiary is headed by Wilbur Jurden, long-time chief of Anaconda's engineering department.

Anaconda's engineering department has long done outside work in addition to its own plants—it has handled the bulk of Phelps Dodge Corp.'s construction for years, and did the giant taconite installation in Minnesota for Erie Mining Co. But these were jobs that fell into its lap; the new organization will be soliciting business.

At the same time Anaconda announced the new setup, Olin Mathieson Chemical Corp. was trying to get out of the building business. Olin bought 47% of the stock of F. H. McGraw & Co. in 1956, after assuring the company that it would get the bulk of OM's busi-

ness. But McGraw had trouble getting business from other metals companies, and Olin found construction company customers resentful of the fact that it was in essence a competitor. For months Olin has been trying to get rid of its McGraw interest; a deal is reported near.

Jurden admits that his activities, too, have caused some resentment among other construction companies, but he doesn't think that it will hurt Anaconda substantially.

• • •

Rejected as Director, Kern Files Suit Against Western Pacific RR Co.

A prospective director not accepted by the board of Western Pacific RR Co., allegedly because of charges that he was a Communist, is suing the company for damages. Paul J. Kern, New York attorney and president of the city's Civil Service Commission under Mayor LaGuardia, filed the suit in federal court in New York, asking for \$500,000.

The action charges that Kern, a long-time holder of Western Pacific, had been promised a board seat by Pres. Frederic B. Whitman when his holdings reached 5,000 shares. Kern told Whitman last June that he had accumulated the 5,000 shares, and Whitman proposed Kern for a directorship at the Oct. 3 board meeting.

Kern's suit charges that the directors refused to accept him because an investigator reported that he "was a Communist or communistically inclined." Kern claims the turndown caused "great damage to his business and professional reputation." The company has made no comment on the suit.

• • •

Management Briefs

Penny wise? The average businessman spends \$1 in checking paperwork, then turns up an error that would have cost him less than 70¢, according to the New York State Commerce Dept. A new booklet, *Scientific Records Management*, published by the agency estimates that an average of 65¢ is wasted out of every dollar spent on paperwork. When businesses do buy labor-saving new forms, it says, they usually don't make use of them.

William Zeckendorf and A. M. Sonnabend are both expanding their hotel operations. Zeckendorf Hotels Corp. bought the Commodore in New York, leased it to real estate operator Joseph I. Lubin, and then leased it back from Lubin. It becomes the fifth New York hotel under Zeckendorf operation. . . . Sonnabend announced plans for a 200-room motel near Los Angeles, his first project in the West and other motels in Canada and Puerto Rico, his first outside this country.

General Electric Co. now has a Space Dept., formed by splitting its Missile & Ordnance Systems Dept. The new department has 5,000 employees working solely on missiles and space vehicles, and such research equipment as a tunnel that creates effects of speeds 25 times as fast as sound.



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EXAMINATION

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How 1958 Laws Changed Taxes

Two new tax laws passed by Congress will save taxpayers \$350-million the first year and have a broad impact on business. Here is a summary of the major revisions.

Two important federal tax laws affecting thousands of businesses were put on the books this year, marking the first comprehensive overhaul of the tax code since 1954.

Net effect of the changes is to provide taxpayers with an estimated \$350-million in savings the first year alone, slightly less thereafter.

Because of their widespread impact, *BUSINESS WEEK*, as a service to its readers, presents on the following pages a brief description of major provisions of the new statutes, one dealing with excises, the other with general technical revisions in tax laws.

• Pattern—Congress in drafting the laws had two main purposes in mind: (1) to eliminate unintended hardships that turned up in the 1954 law, and (2) to close a number of loopholes.

Though no really big reductions were provided, the changes can be important to individual companies concerned. Over-all, they set the pattern for the kind of bits-and-pieces tax relief business can anticipate in the next few years, since high federal budgets probably will rule out any cuts in general rates.

Changes for most of the technical revisions apply to this year; excises mainly after Jan. 1 of next year. Here is a summary of the major changes.

I. General Revisions

Corporate and Business

Pension and trust funds. Company pension and profit-sharing programs, with certain restrictions, can purchase up to 25% of the company's unsecured debentures, provided these securities amount to no more than 25% of the fund.

Penalty tax. Limits are put on the amount of charitable contributions carryover and capital gains deductions that a corporation may claim to try to beat the penalty tax on improperly accumulated surplus.

Change of accounting. Where a change in accounting system increases taxable income for prior years by more than \$3,000, taxes on this income may be paid over a 10-year period.

Like-kind exchanges. Greatly liberalizes interpretation of what property can be acquired tax-free as a result of an involuntary conversion, such as that re-

sulting when a property is condemned or destroyed and new property of a "like kind" purchased. For instance, a farm acquired with proceeds from the sale of condemned city real estate would qualify as "like-kind" property and thus be considered a tax-free transaction, even if a profit were made.

Like-kind losses. But the new law makes clear that "like-kind" property acquired at a loss through an involuntary conversion must be carried on the books at the reduced value.

Broadcasting facilities. Gains made from sale of broadcasting facilities because of a change in FCC policies are tax-free.

Casualty losses. Casualty losses on completely uninsured property in all cases henceforth are fully deductible as ordinary income losses.

Foreign taxes. Foreign tax credits can be carried back two years and forward five years.

Bribes. Bribes and kickbacks paid to officials of foreign governments are prohibited as income tax deductions.

Patents. A taxpayer cannot claim capital gains treatment for sale of a patent to a corporation in which he owns 25% or more of the stock but capital gains now are allowed for sale of a patent to a corporation controlled by a brother or sister.

Losses. Net operating losses may be carried back three years, instead of two as previously, for purposes of securing tax refunds.

Dividends. Corporations purchasing stock of another corporation must hold the stock more than 15 days in order to claim the special lower corporate tax rate for dividends on outside stock.

Public utilities. Utilities can apply for tax refunds for years when a court order required them to make refunds to customers.

Partnership basis. Corporations with 10 or fewer stockholders can elect to be taxed as partnerships. Partnerships also can choose to be taxed as corporations.

Personal holding companies. These may not carry forward charitable contributions. They are denied special corporate deductions, such as on dividends from stock of other corporations, in computing income and also for use as a tax credit.

Exemptions. Applications for tax exemptions, and accompanying papers, generally will be opened for public and

Congressional inspection upon approval of the exemption.

Liens. Estate and gift tax liens pending against a property can be lifted if the Internal Revenue Commissioner rules that the tax liability has been fully discharged or provided for.

Interest. A taxpayer no longer can collect interest on an overpayment of taxes while at the same time he owes interest on other tax underpayments.

Filing. Late filing does not exempt the taxpayer from the penalty for failure to file.

Assessment. A corporation that is dissolving, either for bankruptcy or other reasons, can secure an immediate assessment of tax liabilities.

Mail. Certified mail can be used wherever the code prescribes registered mail.

Collapsible corporations. Corporations set up for a single venture are eligible under certain circumstances to claim a capital gains tax on profits, instead of regular corporate income tax, if the value of the assets increased no more than 15%.

Charitable contributions. Several loopholes are plugged up, both for corporations and individuals, that might have allowed double deductions on contributions.

Unlimited charitable contributions. To qualify at present for an unlimited deduction for such contributions, taxpayers must have paid 90% of their income in federal income taxes or contributions in eight out of 10 years. The new law specifies that a taxpayer cannot count both the year in which the tax and contributions were accrued and the year in which they were paid—thus counting them twice—to gain eligibility.

Insurance. Life insurance companies transferring installment obligations will be subject to a current tax on any profits made from the transfer.

Antitrust awards. Taxes on triple damages received by an injured taxpayer can be spread back to the period when the injury occurred.

Securities Rules

Banks. Losses suffered by banks on sales of mortgages and other evidences of indebtedness are fully deductible.

Bond premiums. A premium paid for any bond purchased after 1957 must be amortized over the life of the bond.

Discount. Ordinary income treatment will apply for the unamortized discount on a bond whenever the bond is called early, if there was no intention to let the bond run to maturity. The purpose is to plug a loophole whereby

Using pipe of **TENITE POLYETHYLENE**



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with less than one joint per mile

Now, on one reel, you can get a continuous 6,000-foot length of pipe extruded from Tenite Polyethylene. This means you can lay a pipeline more than a mile long without a single connecting joint. You don't waste time on unions or couplings. You have no worries about leaking joints.

But long continuous length is only one of the many advantages which pipe of Tenite Polyethylene offers. This plastic pipe is cutting costs for users in many different fields. Whether you want thousands of feet for industrial or farm use or only a few score feet for a home or garden need, plastic pipe

will save you money on pipe cost and installation labor, and, in most instances, will outlast ordinary metal pipe.

Practically corrosion-proof, Tenite Polyethylene is the answer to the problem of corrosive or watery soils that cut short the life of metal pipe. In general, due to its smooth inner wall, plastic pipe also will carry a greater volume of fluid than will metal pipe of the same inside diameter. In certain instances, this can amount to as much as 25% greater flow capacity.

Even non-professionals can do a good job of installing polyethylene

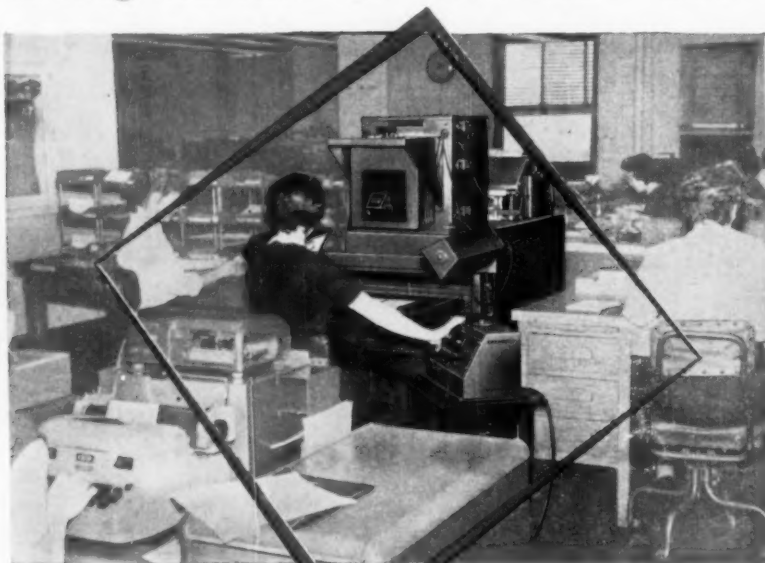
pipe. It is light and easy to handle; and its flexibility permits it to be curved around contours or obstructions, practically eliminating the need for angle fittings. Where short lengths are needed, this plastic pipe can be cut with a knife and joined with simple inserts and ring clamps.

For an interesting folder, "*What You Should Know About Flexible Pipe Made of Tenite Polyethylene*," or for further information on the many possible uses for polyethylene pipe, write EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSFORD, TENNESSEE.

The pipe shown above was extruded by Western Plastics Corporation, 1515 West Second St., Hastings, Nebraska. When required, Western Plastics will supply continuous lengths up to 13,000 feet.

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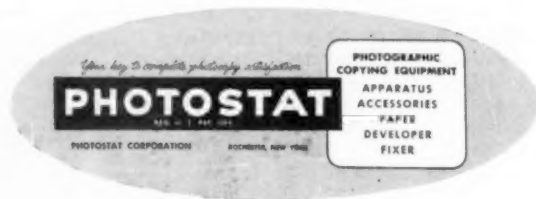
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a corporation could issue bonds at an artificially inflated discount and call them at par before maturity, thus giving the corporation an interest deduction and the bondholder capital gain on the unamortized discount.

Options. Taxpayers cannot claim capital gain or loss on options to buy or sell a non-capital asset. Security dealers are prohibited from claiming a capital gain on the sale or exchange of options that are part of their inventories.

Small business investment companies. Such companies are authorized to be set up to supply equity capital to small concerns, either through loan or purchase of debentures. Income from debentures held by the investment company is to be 100% tax-free.

Investment trusts. Capital losses of investment trusts cannot reduce earnings where the purpose is to try to get out from under investment trust tax treatment in any year by not distributing earnings, and thus reducing the amount of paper profits.

Depreciation and Depletion

New equipment. An additional 20% first-year depreciation write-off is allowed on purchases of up to \$10,000 of new machinery and equipment; \$20,000 if joint return is filed.

Uranium. Five-year write-offs are allowed on certain primary processing facilities and equipment set up to develop new sources of uranium ore or concentrate under Atomic Energy Commission programs where present facilities are inadequate.

Railroads. Roads get an estimated \$350-million in additional depreciation for roadway equipment acquired prior to 1942.

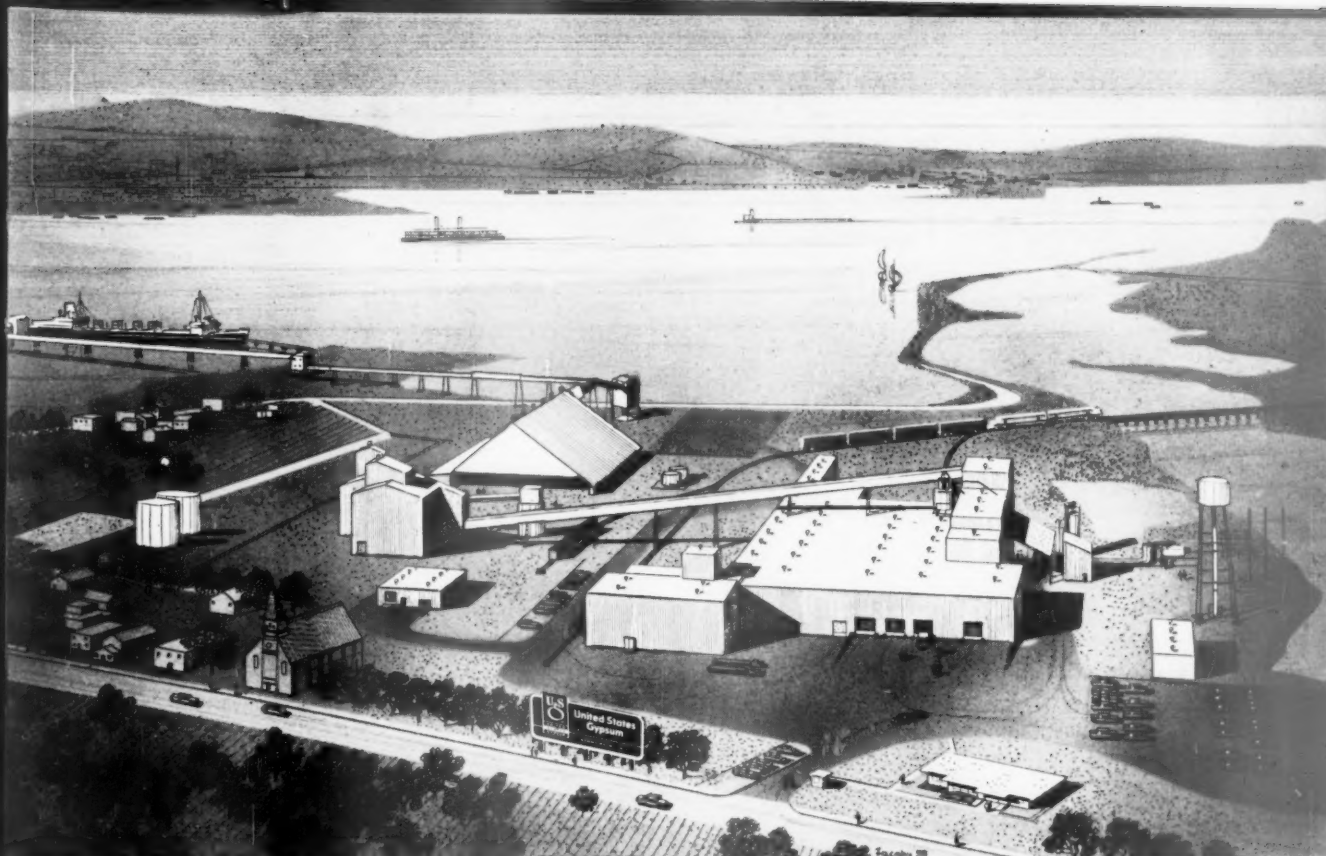
Depletion. Mining companies can apply depletion write-offs to all their properties in combination instead of to individual properties, if this is more favorable. Petroleum companies get choice of the 1939 or 1954 tax laws when figuring combined depletion.

Improvements. Rules are modified for taking depreciation on improvements made in leased property. Under certain conditions, the depreciation on improvements must henceforth be spread out over not only the term of the lease but, if there is an option to renew the lease, over the length of the renewal period.

For cases in which the lessee is "related" to his landlord, amortization must be taken only over the useful life of the improvement, regardless of lease.

Individual Income Taxes

Dependents. Loophole is closed whereby a spouse might have been claimed as both a dependent and a



U.S. Gypsum's new multi-million dollar plant in Stony Point, New York, at New York City's doorstep. A "Central" location served by land and sea transportation.

How New York Central helped U. S. Gypsum find "exact property" in heart of market

U.S. Gypsum had tough location requirements for a new building materials plant to serve the New York Metropolitan area.

In the first place, the site had to be close to the growing population centers where increased commercial and residential construction could be expected. Also, a supply of skilled labor was necessary. And in addition, convenient transportation by land and water was vital. Here's how these needs were met:

The New York Central plant-site experts assisted in pinpointing the ideal location—at Stony Point, on the shores of the Hudson River, at New York City's doorstep. On this site the New York Central could run tracks right to the plant. Deep-water frontage would let ocean-going ves-

sels unload raw materials without transshipment. New York Central's Plant Site Consultants helped gather data on the market, labor, and taxes for U.S. Gypsum's management. They also supplied geological maps for foundations, worked out an alternate water supply, and arranged property options to help assemble all the necessary acreage.

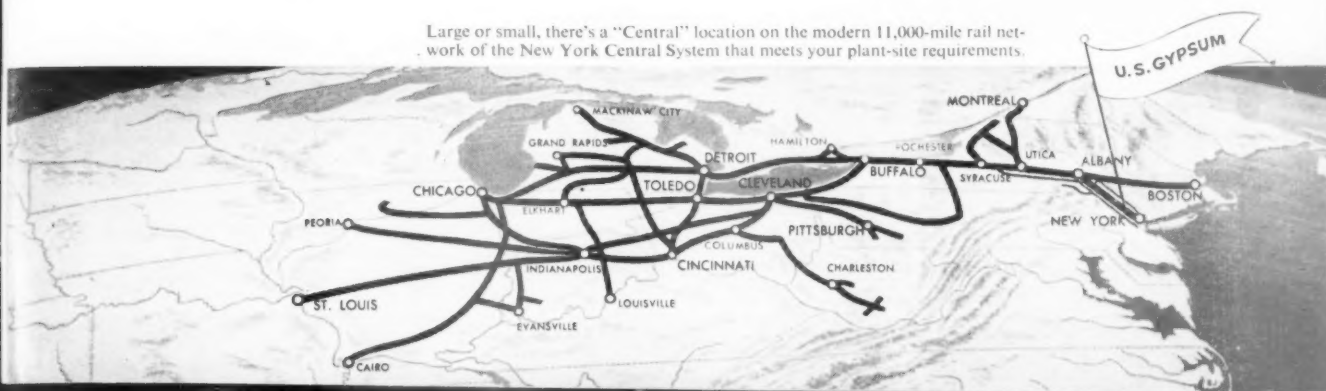
What the Central did for U.S. Gypsum, it can do for you. Here, under one roof, you will find a wealth of factual plant-site information. Whatever your special needs, New York Central stands ready to assist you.

Write to: Arthur E. Baylis, Vice President, Department A, 466 Lexington Avenue, New York 17, N.Y.

New York Central can help you too!

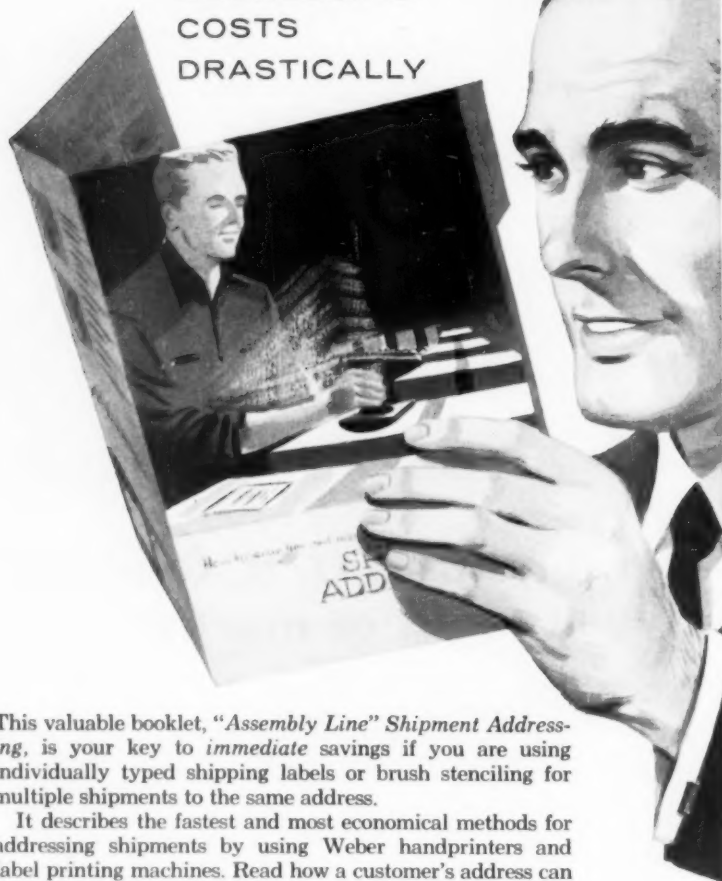
- The services of our Plant Site Consultants, on a strictly confidential basis, are available without charge.
- Plant-site appraisal reports are tailored to your type of operation.
- We assemble the necessary acreage.
- Our staff aids in expediting plant construction.

Large or small, there's a "Central" location on the modern 11,000-mile rail network of the New York Central System that meets your plant-site requirements.



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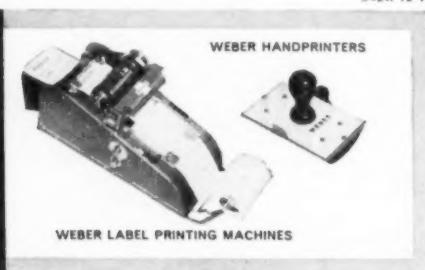
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This valuable booklet, "Assembly Line" Shipment Addressing, is your key to immediate savings if you are using individually typed shipping labels or brush stenciling for multiple shipments to the same address.

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Get the facts—learn how you can cut shipping costs. Write on your letterhead for a copy of "Assembly Line" Shipment Addressing. WEBER MARKING SYSTEMS, Division of Weber Addressing Machine Co., Inc., Mount Prospect, Ill.



Dept. 15-1

member of the taxpayer's household, thus being counted twice as a deduction. No exemption can be claimed for a person living with a taxpayer where the relationship is unlawful under state law.

Children. An alien child adopted by a U.S. citizen living abroad can now be claimed as a dependent if the child resides in the taxpayer's home.

Nonresident aliens. Aliens not residing in the U.S. and not engaged in trade or business within the U.S. are taxed a flat 30% on gains from sale or exchange of capital assets where this occurs under a "trusteed" employee pension, profit-sharing, or stock bonus plan.

Income abroad. Income earned abroad must be stated on a return, even though the income is tax-free.

U.S. possessions. Americans living in U.S. possessions must pay U.S. gift and estate taxes.

Sick pay. Taxpayers get one year to file for a refund for any tax they paid after 1951 on sick pay received from a self-insured employer's plan.

Medical expenses. In cases where the taxpayer is 65 or older, and disabled, deductions for medical expenses are raised from \$5,000 to \$15,000; to \$30,000 if spouse is also 65 and disabled.

Estates. Medical expenses paid by estate of deceased person within a year after death can be deducted from income tax return, provided these expenses are not taken as an estate tax deduction. An estate tax credit is permitted when state death taxes are paid within four years after estate tax return is filed.

Gifts. A gift tax paid by the giver is to be added to the basis of the gift for purposes of figuring gain, loss, depreciation, or amortization on the acquired property.

Atomic energy. Payments by real property owners for municipal-type services rendered by the Atomic Energy Commission, such as electricity, are deductible as taxes.

Nonbusiness bad debts. These cannot be classified as business bad debts and thus qualify for what is usually a higher tax deductibility.

Annuities. Annuities bought by a tax-exempt charitable, religious, or educational institution are to be counted as present income to the employee, not as income during the years in which he actually receives the annuity, if the annuity is non-forfeitable.

Survivor annuity. In cases where an employee under a qualified pension plan elects to take a smaller retirement annuity so that his wife would continue to have an annuity after his death, only the employee's contributions to the plan, and not those of his employer, will be subject to gift taxes on that portion going to the survivor.

Property sales. Capital gains treat-



The "Guaranty Customer" greets a visiting business friend. Photographed by Loebel.

THE GUARANTY CUSTOMER KEEPS IN CLOSE TOUCH WITH HIS OVERSEAS BUSINESS

Obviously, the executive engaged in world trade can't get around to see *all* his business friends in person.

But he can do the next best thing: he can keep in close touch with conditions abroad through the Foreign Department of Guaranty Trust Company.

The Guaranty customer finds in this department the wealth of specialized knowledge and the long-range approach so vital in foreign trade financing. Guaranty maintains offices in London, Paris, and Brussels. And through our vast global correspondent network of over 2,000 offices of important banks the Guaranty customer has access to on-the-scene sources of facts and information—the kind of help often best provided by a bank of the country.

He knows that Guaranty's Foreign Department

officers travel extensively all over the world, getting first hand information not only from correspondent banks, but from industrialists and government officials as well.

If you do business abroad, or plan to, this assistance is available to you. Just call or write our Foreign Department; we will be glad to show you how we can help.

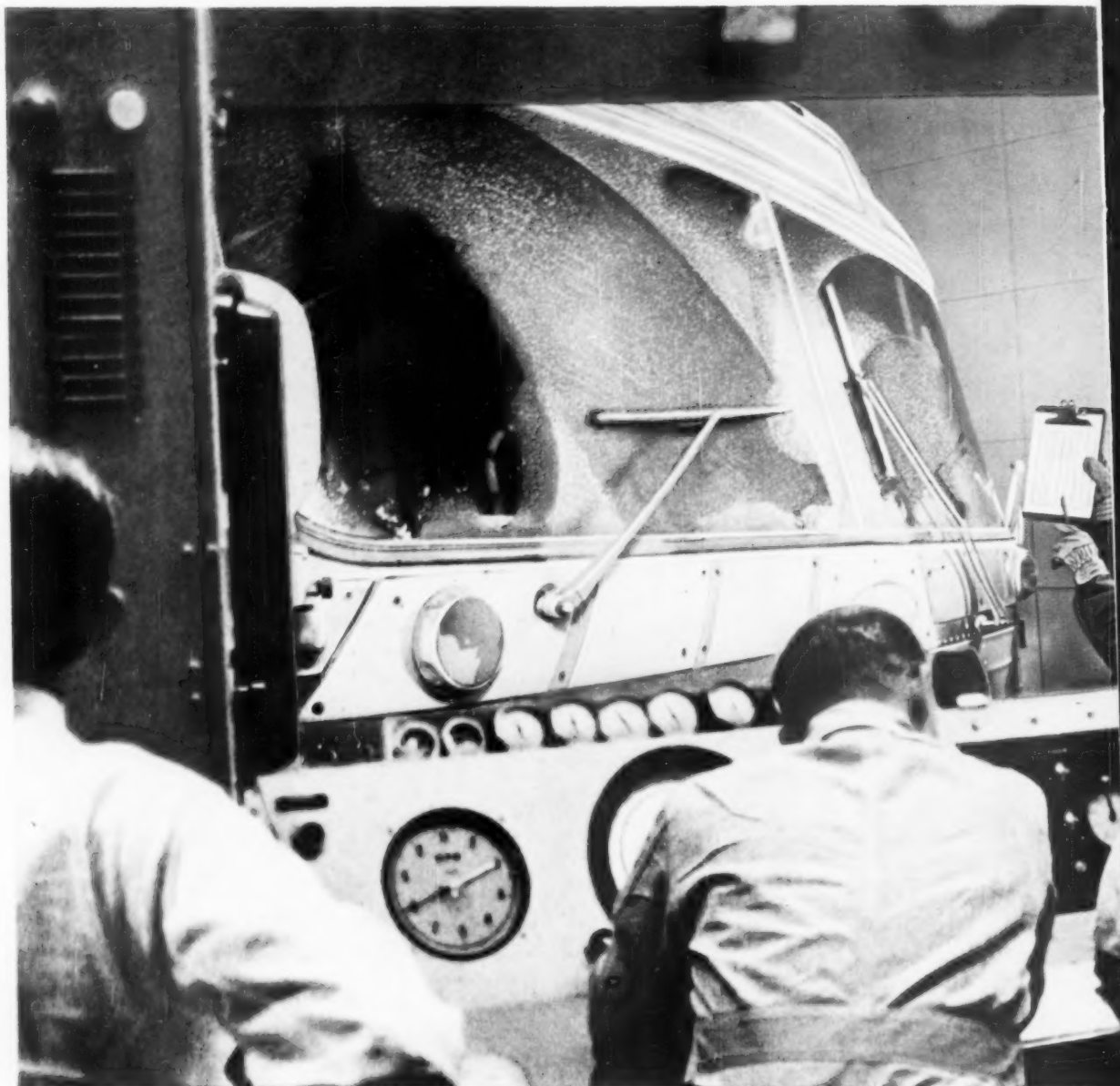
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Tests like these are made to discover every possible way in which Gulf fuels and lubricants can make things run better. Take Gulf Dieselect Fuel, for example. Dieselect starts a diesel engine fast, even in sub-zero temperatures. It's a 100% straight run distillate with no cracked materials to form harmful deposits in tanks, filters and injectors. It saves engines—and it saves fleet operators money.



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RUN BETTER!

Gulf research and quality controls are continuous—keep a staff of 1,300 scientists and technicians working full-time to make sure Gulf fuels and lubricants are the best you can buy for your fleet.

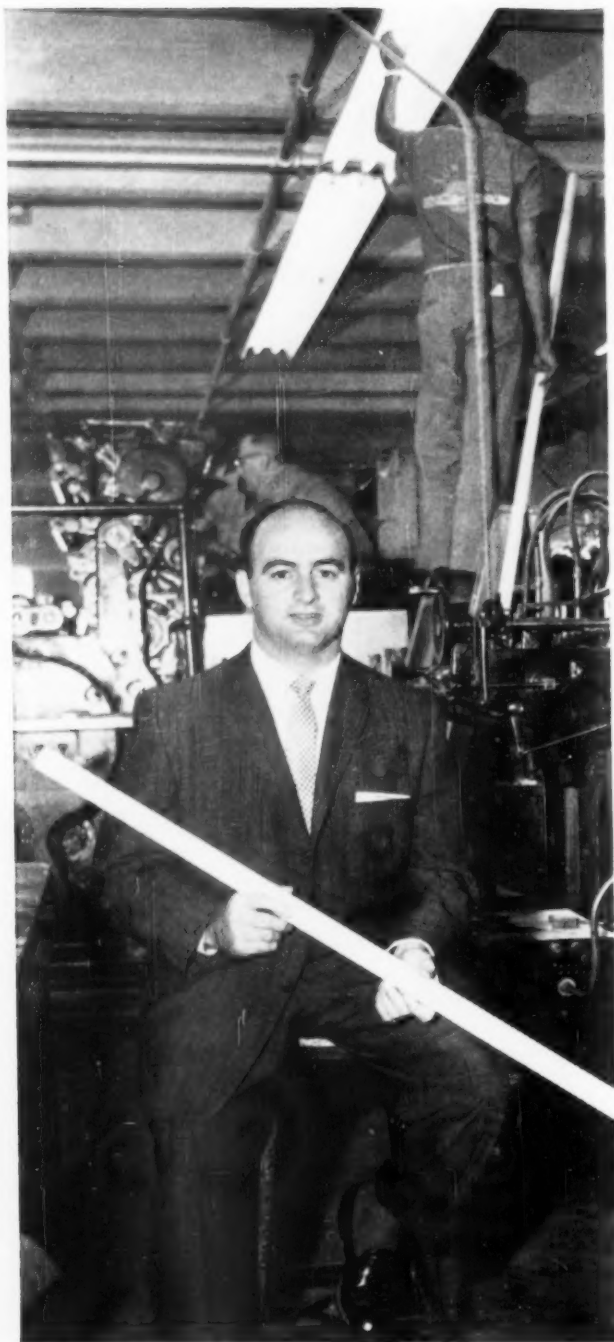
It may be well worth your while to check the difference that Gulf product performance can make in the efficiency of your operations. For more information, just call your nearest Gulf office.

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"We're lighting maintenance contractors whose services include replacing burned out tubes, ballasts, starters — and the periodical cleaning of fixtures," says Herbert Mendelsohn of Sun Ray Lighting Company, Kansas City, Mo., "and we must keep our customers' lighting at peak operating efficiency quickly and economically.

"So, in effect, we sell footcandles at the lowest possible price. Naturally, we use the lamps that give more light for the current used, and are the most reliable. A defective tube causes an extra service call—as does an early burnout. So we use General Electric Lamps that last longer and have virtually no defects. This way our customers get better lighting—and we hold our costs down while improving our profit picture."

Whether you now buy your own lamps—or use a contract service such as Mr. Mendelsohn's, you can get more value for every dollar you spend on lighting by specifying General Electric Lamps. Call your nearby G-E Lamp Specialist and see for yourself. Or write: General Electric Co., Large Lamp Dept. C-840, Nela Park, Cleveland 12, Ohio.



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GENERAL  ELECTRIC

G-E LAMPS GIVE YOU MORE VALUE FOR ALL YOUR LIGHTING COSTS

ment cannot be claimed for sale of depreciable property between husband and wife, or between an individual and a controlled corporation, after May 31, 1951.

Stock options. Restricted stock option treatment is barred to an employee or former employee of the corporation or subsidiary granting the option. Other regulations concerning granting of variable stock options are tightened up to prevent such options from qualifying for restricted stock option treatment.

II. Excises

Retailers' Excises

Semiprecious stones. Present law regarding 10% jewelry tax on precious and semiprecious stones, pearls, and imitations is clarified by listing 34 specific items to be taxed.

Luggage. Same is done for 10% luggage excise by listing 39 specific items subject to taxation.

Clocks. New law upholds Internal Revenue Service ruling that there is no retail tax on clocks or clock movements where the clock is part of another item subject to a manufacturer's excise tax, such as for clock radios. Instead, the manufacturer's tax shall be levied on the complete item (instead of just the radio part of a clock radio).

Schools. All nonprofit educational organizations, instead of just public schools, are exempted from paying retail excise taxes and the taxes on special motor fuels.

Installment sales. A retailer who sells an item on installment account is liable for the tax on the face value of the account, regardless of whether the contract is sold at a discount.

If an installment purchase is returned, retailers can receive a tax credit or refund, for that portion of the unpaid account on which they paid a tax.

Manufacturers' Excises

Installment sales. Manufacturers' installment sales are treated similarly to provision on retail installment sales.

Refrigerators. Refrigerator parts sold separately are exempted from 5% refrigerator excise.

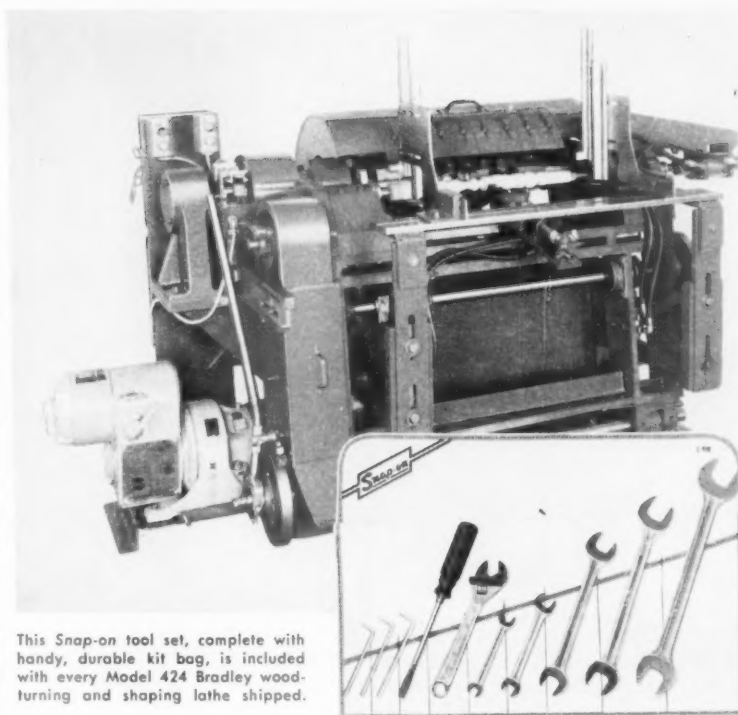
Disposals. Gas or oil disposal units are now subjected to 5% appliance tax. So are electric, gas, or oil incinerators.

Electric floor polishers and waxers. These are freed from the appliance tax.

Fans. Industrial fans and circulators of the electric direct-motor type no longer are subject to excise tax.

Record players. Phonograph record players are to be subject to the 10% excise tax.

Radios, TV sets, phonographs. All



This Snap-on tool set, complete with handy, durable kit bag, is included with every Model 424 Bradley wood-turning and shaping lathe shipped.

Snap-on suggested custom tool kits ...now Bradley lathe users speed setup adjustments, boost output

"You can help your customers increase output and cut maintenance time by including the proper adjusting tools along with every Model 424 lathe you ship."



Frank Schlagenhauf, Snap-on sales engineer, proposed this idea to sales and plant officials of the I. H. Bradley & Son Company, Bridgeport, Conn., manufacturer of woodworking equipment.

Then, working closely with Bradley plant people, Schlagenhauf went over the lathe thoroughly, and by actual application determined which tools to include with the kit.

Today, the Snap-on kit, illustrated above, goes out with every Model 424 wood-shaping and turning lathe. Now an operator has the

right tools at his finger tips to make adjustments quickly, such as changing cutting arbors, resetting the stock positioning bracket and many others.

Reports from the field indicate that lathe owners find these hand-picked tools are a real plus for increasing work output.

GOT A TOOL PROBLEM? CALL THE SNAP-ON MAN

Tool kits for original equipment, tools for production and maintenance, tools for field service work — whatever your problem, talk it over with the Snap-on man. He is a specialist who devotes all of his time to industrial application of nationally accepted Snap-on tools. Branch offices are located in 58 cities throughout the U.S. and Canada. Consult your phone directory or write us.

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8100-L 28th Avenue • Kenosha, Wisconsin



Taylor copper-clad laminate printed circuits reduce cost of TV crossover network by 66%

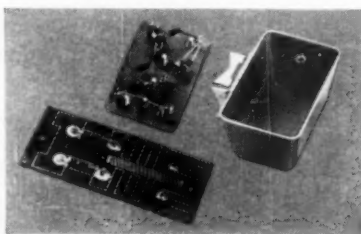
Also eliminate subsequent installation costs and improve reliability of part

Hugh H. Eby Company, Philadelphia, Pa., has reduced the cost of producing crossover networks for VHF-UHF television sets approximately two-thirds by changing production methods and switching to circuits printed on Taylor copper-clad laminate. It has also eliminated subsequent installation of the part on antenna masts, thereby greatly improving part reliability.

Taylor copper-clad laminate was selected for two reasons: dimensionally stable after hot punching, it assures uniform hole size and good registration; its rolled-copper surface, free of pinholes, pits and lead inclusions, provides consistently good etched circuits.

You, too, may have applications where Taylor copper-clad laminates will cut costs and improve reliability. Our application engineers will be glad to dis-

cuss them with you. Both the Norristown, Pa., and La Verne, Calif., plants are equipped for prompt supply of basic materials or fabricated parts. Write us for details. TAYLOR FIBRE CO., Norristown 35, Pa.



Above (right) is shown the old-style crossover network with its housing. Below it is the new printed-circuit network. The small, compact printed-circuit network costs one-third as much to produce and is assembled in the television set instead of on the antenna mast.

Taylor

LAMINATED PLASTICS VULCANIZED FIBRE

are to be taxed in future, except for certain specific exemptions such as those used in communication, detection, or navigation equipment. A previous ruling held that only those of the "entertainment type" would be taxed.

Stencils. Stencil-cutting machines such as those used in making stencils for marking freight shipments are exempted from tax on business machines.

Direct selling. Manufacturers who sell mainly to wholesalers can, when selling directly to retailers, compute their manufacturer's tax on the price ordinarily charged wholesalers.

Leases. Leased trucks, business machines, and other equipment are not to be taxed at a rate higher than if bought outright.

Exemptions. Exemptions from manufacturing excises are to be allowed where the article is sold through a single intermediate dealer for export or further manufacturing. The manufacturer is liable for the tax if he has not supplied proof within six months of its tax-free use. Regulations are eased for refunds on taxed articles later resold for tax-exempt purposes.

Tax-exempt components. Tires, inner tubes, and radio receiving sets are exempted from manufacturers' excises if they are components in any articles exported or sold to state or local governments and nonprofit educational organizations.

Registration. Uniform registry and exemption certificate procedure is set up for manufacturer's sales for export and other tax-free use, to complement that already operating for sales to another manufacturer. Penalties are prescribed for misuse of the registration system to evade taxes. New regulations can be issued extending the registration system to special tax-exempt sales provided in the law for sales of auto or truck bodies, parts, and accessories to motor vehicle manufacturers, sales of gasoline and lubricating oil by one producer to another, and sales of firearms and ammunition to the Defense Dept.

Admissions and Dues

Entertainment. First \$1 of admission to theaters and other entertainment events is exempted from the 10% admissions tax.

Scholarships. Exemption is granted for the full admission price to events designed to raise money for scholarships to colleges and other higher educational institutions.

Cabarets. A cabaret proprietor is made responsible for collecting and forwarding the cabaret tax if he leases or sells concessions to another person who actually receives the taxes. He is not, however, personally liable for the tax in such cases.

Milk bars. So-called "milk bars" usu-

GF FERRIS Rotary files



On heavy-duty casters for mobility in office use, GF Ferris motorized rotary files are available in 40½", 51½" and 72" widths in the Master Series; Standard Series manual and electrically operated units are available in 4 sizes, from 18 to 32 inches deep.

Do you know... in the time it takes to read this headline, 194,100 cards become available to this rotary file operator!

From 49,600 to 194,100 card records can be delivered to a file operator's hands in 4½ seconds from one motorized unit in the new line of GF Ferris rotary files. High outputs in all sizes of cards make new GF Ferris rotary files ideal for all ultra-high speed volume card filing.

Card trays, hung in cradles, never tip, never spill. With all cards available in a short 18-inch reach and with a desk-high integral posting table, new GF Ferris rotary files provide maximum employee comfort with

the fastest speed available in any filing equipment.

For further information on GF Ferris rotary files, contact your local GF branch office or dealer. The General Fireproofing Company, Dept. B-20, Youngstown 1, Ohio.



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find the Burnham
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New techniques in moving mean efficiency, dependability and economy. Let Burnham's move your personnel, Burnham's trained men and custom-designed vans assure fast, safe service . . . Burnham's central dispatch office assures on-time delivery . . . Burnham's tariff may save you money . . . Burnham's complete service promotes employee relations. Call the man from Burnham's Van today.

IN THE WEST, CALL THE MAN FROM **FORD VAN**



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ally frequented by teen-agers are exempt from the cabaret tax.

Swimming pools. Admissions taxes are lifted on privately operated swimming pools, bathing beaches, skating rinks, and other places providing facilities for physical exercise.

Club dues. Life-membership club dues are to be taxed either on the amount actually paid for a life membership, or by an annual tax equivalent to that levied on members who pay annual dues.

Assessments. After Jan. 1, 1959, the 20% club dues tax is not to be levied on that portion of dues and initiation fees going into capital improvements.

Nonprofit swimming or skating facilities. The 20% club dues tax is also lifted—under certain conditions—from nonprofit social or athletic clubs on that portion of the dues going to provide swimming or skating facilities.

Facilities and Services

Communication. Fixed or mobile telephone or radio sets are to be taxed as general telephone service if there is a possibility they might be used in commercial communication service, even if this is not actually done.

Tolls. All toll charge calls are to be included as long distance calls, instead of only those costing over 24¢ as previously.

Teletype exchanges. Teletypewriter exchange service—Teletypes connected to an exchange operated by a person conducting commercial communication service—generally are no longer exempt from a special tax on Teletype, leased wire, and talking circuit special service.

Facilities on premises. Terminal facilities and communications services located entirely on the premises of the subscriber are exempted from general telephone and telegraph taxes.

Burglar alarms. Burglar alarms and other interior communications systems also are freed from the 8% tax on so-called wire and equipment services.

Computations. Now communications taxes can be figured on groups of items, instead of a single total computation for all services as before.

Air taxi. Air taxis are not to be charged a transportation tax.

Educational groups. Communications and transportation services furnished nonprofit educational organizations are to be tax-free.

Documentary Taxes

Issuance. Tax on the issuance of stock is lowered from 11¢ to 10¢ per \$100, and is to be levied on the actual value of the stock, instead of on the par or face value as before.

In a recapitalization, when new stock is issued, issuance taxes will apply only



TV helps us drill for oil on the ocean floor



Out in the Pacific Ocean, on a World War II landing ship converted for exploratory oil drilling, Richfield engineers and technicians sit before a TV screen. They are supervising the start of a test-hole, which will be drilled thousands of feet into the ocean bed.

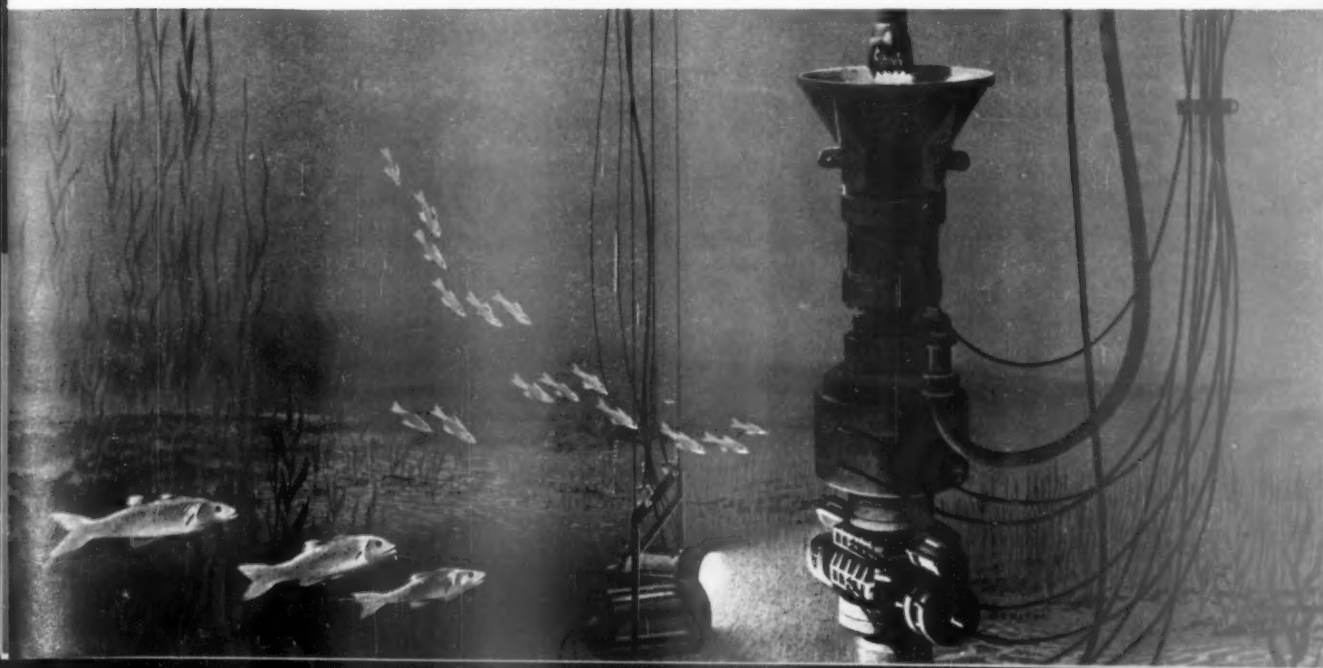
By means of this closed-circuit television system, they can observe operations at the undersea wellhead. Thus, except for occasional mechanical adjustments,

costly and time-consuming inspection by divers is eliminated.

Here is another example of how Richfield employs the very latest scientific techniques in its continuing, successful search for crude oil—both close-to-home and in the far corners of the world.



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London ffss is the final triumph in the search for realistic sound reproduction. For over twelve years ffr . . . full frequency range recording . . . has been the world's leader in high fidelity. Now, ffss . . . full frequency stereophonic sound . . . is the world's leader in stereo.

Music sounds better on London because it is recorded better. London ffss uses special microphones . . . the most sensitive ever engineered. They capture *all* the sounds that originate from the concert stage. When recreated in your home, these sounds seem to come to you from a *continuous* row of speakers. With ffss, live performance sound is yours—at home. You hear *separation of sound* or the *sweeping blend of sound* . . . exactly as performed on the concert stage.

Step-by-step *quality control* by renowned British craftsmen is another reason for the superiority of ffss. To these artisans record making is an art. Their dedication is part of the heritage of London Records . . . your assurance that ffss is the world's finest stereo.

OVER 100 ffss RECORDINGS NOW AVAILABLE—WRITE FOR CATALOG



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OSA 1202

full frequency stereophonic sound



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on the new capital raised—the amount in excess of the capital before recapitalization. The issuance tax in this case will be applied against the actual value of the securities, not on par or face value.

Installments. Exemption from the stock issuance tax is provided for contracts under which a person is obligated to buy stock or other indebtedness on an installment basis.

Transfer. Tax on the transfer of stock is lowered to 4¢ on each \$100 of actual value of the security. Top tax that can be levied on any security is 8¢ regardless of whether the value is \$200 or more.

Odd lots. Exemption from stock transfer tax is granted for sale of an odd lot of stock by an odd-lot dealer to a broker for further resale.

Collateral. Stocks or certificates of indebtedness put up as collateral for a loan are not to be charged a stock transfer tax when the loan is paid.

Trusts. Transfer of stock by the owner from one revocable trust to another is not taxable.

Loans. No transfer tax is to be levied on certificates of indebtedness that are loaned and then returned.

Pooled funds. No stock issuance tax is levied on funds maintained by a bank for collective investment in assets of qualified pension or profit-sharing trusts or stock bonus plans.

Reorganization. Corporations reorganizing merely to change the name, form, or place of organization will not be taxed on stock or real property transferred to the new corporation.

National exchanges. National securities exchanges acting as clearing houses for members may pay the tax for member stock transfers directly instead of purchasing stamps as heretofore.

State and local governments. These are exempted from the real estate conveyance tax when acting in their "proprietary" and "governmental" capacity in transferring or acquiring real property from a private purchaser.

Partnerships. Transfer of interests in a partnership holding stock, issuances of indebtedness, and real estate will not be subject to transfer or conveyance taxes where the securities or real estate remain in the partnership for tax purposes.

Certification. A certification of actual value must accompany any shares or stock rights being transferred where the tax is paid by use of adhesive stamps that might be lost. The transfer agent then can rely on the certification without further inquiry.

Wagers and Amusements

Runners. A "Runner" is made liable for the 10% tax on wagers when the name and place of residence of the



President Harvey Gaylord, right, discusses with Roger M. Cox, Supervisor of Buildings and Grounds, the Scott Wiper Survey that led to impressive savings at Bell Helicopter Corporation. (Without obligation, Scott will provide a survey of your plant to see whether wiper costs can be reduced.)

People buy Scott Wipers for many reasons:

Bell Helicopter saves \$10,000 a year with Scott Wipers

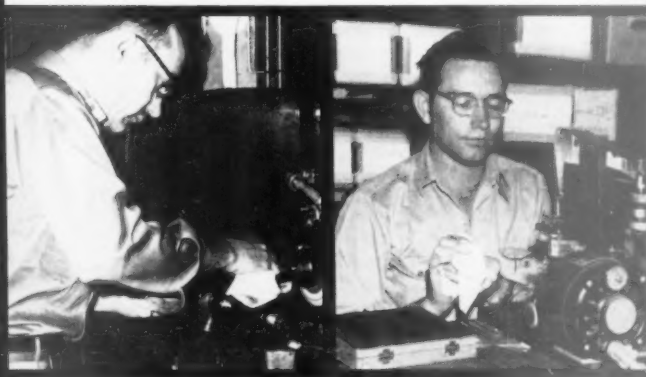
Bell, world's leading producer of helicopters since 1946, switched to Scott Wipers three years ago. Since then, Bell's average savings over the cloth rags previously used amounts to \$10,000 a year.

Mr. Roger M. Cox, Supervisor of Buildings and Grounds, reports: "Laundering the cloth rags was expensive. We never got a uniform batch of good cloth—texture and quality varied. Then we ran into an epidemic of rusty pins that scratched hands and faces of employees. We had several cases of infections." Employees welcomed the change to Scott Wipers—quickly learned to take advantage of their inherent qualities: freedom from lint, high-absorbency and easy disposability. Because Scott Wipers are always uniform in size and wiping capacity, Bell employees have become skillful in using them economically for maintenance and inspection operations.



Scott has prepared a 15-minute sound strip film on industrial wipers narrated by John Cameron Swayze. You can arrange a showing in your plant by contacting your Scott distributor. He's in the Yellow Pages under "Paper Towels." Or write: Scott Paper Company, Dept. BW-89, Chester, Pennsylvania.

See "Father Knows Best" on CBS-TV.



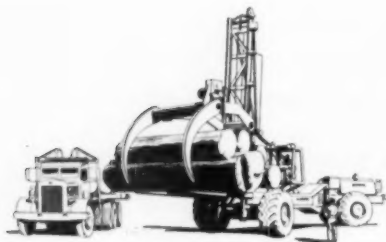
Because they're white, Scott Wipers make it easy to detect imperfections and foreign matter when inspecting high-precision pieces.

Scott Wipers have high wet-strength—wipe off lubricating oil at gear grinders and other machine tools without tearing.

At identification number stamping operation, absorbent Scott Wipers quickly remove smudges from work piece and operator's hands.

Low unit cost of Scott Wipers provides economical engine clean-up for after-flight inspection.





Electric Elephants



by R. G. LeTOURNEAU

Handling of materials is a vital part of manufacturing costs. This is especially true when materials have to be stored outside and space required does not permit your yard to be completely covered with a concrete slab. That's the way it is in mining and logging, and in a number of other industries.

Take the sawmill business for example. Our market research turned up the fact they needed a machine which could unload and handle a standard 25-ton truck-load of logs in one bite.

Machines rated at this capacity were available, but their small, high-pressure tires mired down hopelessly in the muddy yards. Then, too, their capacity rating was calculated at a point so close to the front wheels that they couldn't pick up the 25-ton loads at the work reach required. The only other equipment available was the slow, cumbersome tread machines whose tracks were so costly to maintain, and which were not designed for such purposes.

Of course, in some countries real live elephants have been used, but they aren't dependable enough or strong enough, and certainly not available enough to do this job. Our answer is an *electric elephant*. Research showed us the need for several sizes, so we make them with outdoor-work capacities ranging from 25 to 50 tons!

In a millyard, a giant truck rolls in from the woods, with a fifty-ton load for transfer to a rail car. As the brakes screech to a halt, an electric elephant moves across the yard up to the side of the load, and with infinite speed control (no gears to shift) slips its forks under the load and clamps its tusks over the top and down the back side. Squeezing the

entire load in the grip of its arms, the monster gently lifts the load as if it were a sleeping babe, and swings around through the mud to place the logs on a flat car or in a storage pile. Time and distance are saved by piling them high.

We call this electric elephant a Log Stacker. Actually it's a giant fork truck mounted on huge rubber tires—7½ feet high. Forks run up and down the tilting mast and powered tusks encircle the load. Tusks can also have an extra powered joint if desired, to help in picking off single logs. Our field researchers have come up with other assignments which required different attachments, so if your "elephant" needs a specialized "trunk," just let us know.

The Stacker in a muddy yard during bad weather is something to see. Empty or loaded, it plows through mud, snow and over bumps and ruts as if something else were pulling it.

Its tremendous power comes from big DC electric gear motors that drive every wheel. Controls are electric, too. They let you handle 25 or 50 tons with about as much effort as you need to flick on a light switch.

Summing it up, our Stacker replaces an average of 5 men and 3 machines on a job, because it's made-to-order for this kind of work. With minor modification it may be made-to-order for your work, too. If you'd like to consider it, you might start by sending us information about your operation, or by writing for case histories we've filed from the lumber and pulp business. You also might enjoy our new sound film "Fingers of Steel."

Your materials handling problems may need big answers. If so, we'd like to help.

R. G. LeTourneau



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R-104

person for which he works have not been registered.

Gaming devices. The special tax levied on establishments operating coin-operated gaming or amusement machines is extended to machines operated without the use of coins.

Bowling alleys and billiard tables. The \$20 occupational tax on alleys and tables is lifted for all nonprofit exempt organizations, or agencies of the U. S., if no charge is made for their use.

Procedures and Refunds

Retail excises. Wide authority is created for the government to enter into agreements with suppliers of retail establishments or of house-to-house salesmen to make suppliers who so choose liable for any retail excises.

Manufacturers. Manufacturers who reimburse dealers for the manufacturers' excise will be allowed to file for refund or credit on articles still held by the dealer which the Internal Revenue Service determines are not taxable.

Gasoline. Refunds on gasoline taxes may be filed quarterly instead of annually if the overpayment amounts to more than \$1,000 quarterly.

Seized property. New provision raises from \$1,000 to \$2,500 the minimum amount of perishable property seized for violation of tax laws that may be disposed of administratively.

Firearms

Possession. It is made an unlawful act to possess any unregistered firearms now required to be registered with IRS, such as a machine-gun, sawed-off shotgun, silencer, and so on.

Transfers. Taxpayers transferring such firearms need no longer transfer records showing all previous transfers. Internal Revenue Service already maintains these records.

Tobacco and Alcohol

Bonded. Distilled liquor can now be held tax-free in bonded warehouses for 20 years instead of eight years, as previously.

Occupational taxes. These are raised from \$200 annually to \$255 for wholesale liquor dealers; for wholesale beer dealers from \$100 to \$123 a year; for retail liquor dealers from \$50 to \$54; and for retail beer dealers from \$22 to \$24.

Disaster. Tobacco and liquor products destroyed in recent or future hurricanes and floods can be claimed as a tax credit if the President proclaims a disaster.

Beer barrels. Specific statutory sizes are eliminated for barrels and kegs, and tax is applied to actual quantity in any container. **END**

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As supplier to every major industry, Monsanto can give you *impartial* help with every phase of product planning, production and distribution.

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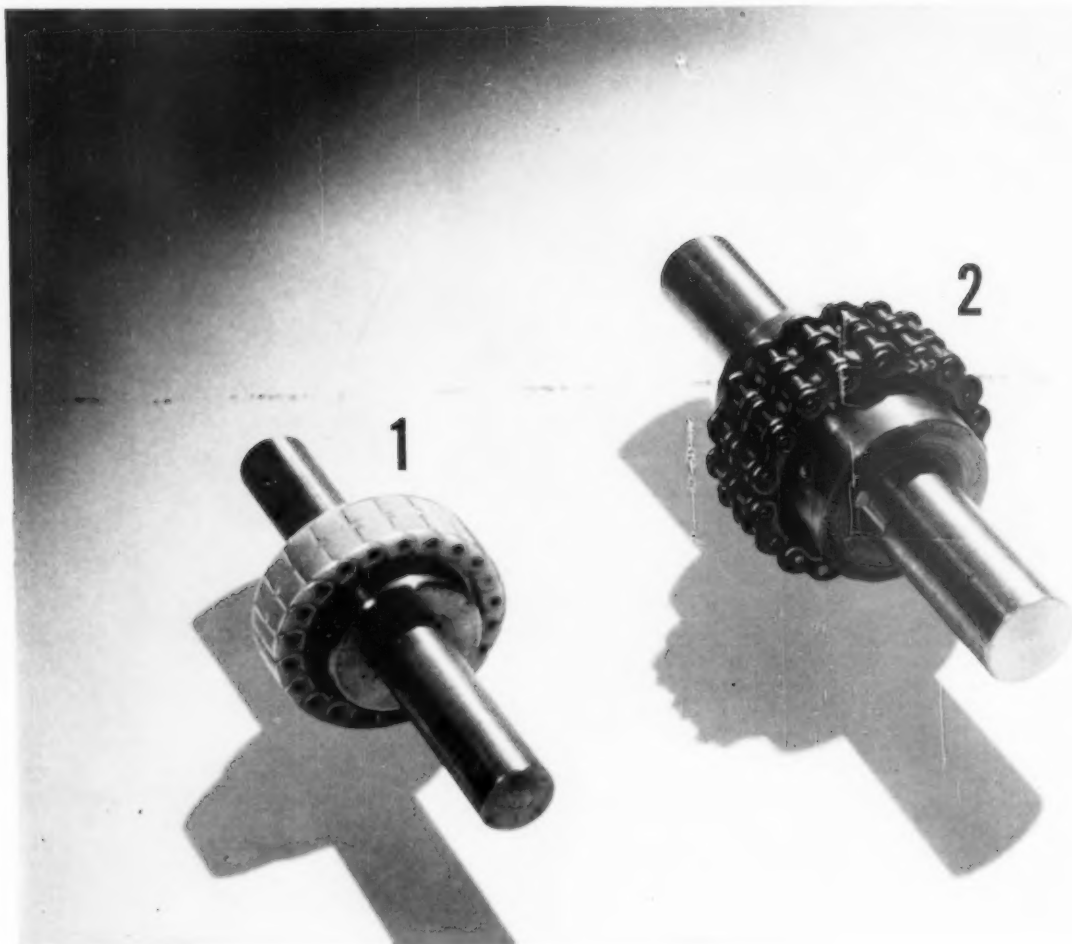
Sodium Phosphates	Ammonium Phosphates
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Bag, drum, tanker or carload, Monsanto supplies phosphates in *any* quantity from a conveniently located plant, warehouse, or through a national network of service-minded distributors. Phone Monsanto:

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Cost 20% less than conventional couplings; last indefinitely. Need no lubrication, no cover; take high torque; adjust to misalignment.

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For moderate speeds, steady loads. Rugged, economical . . . take higher h.p. per given diameter. Easy to install, align, and disassemble.

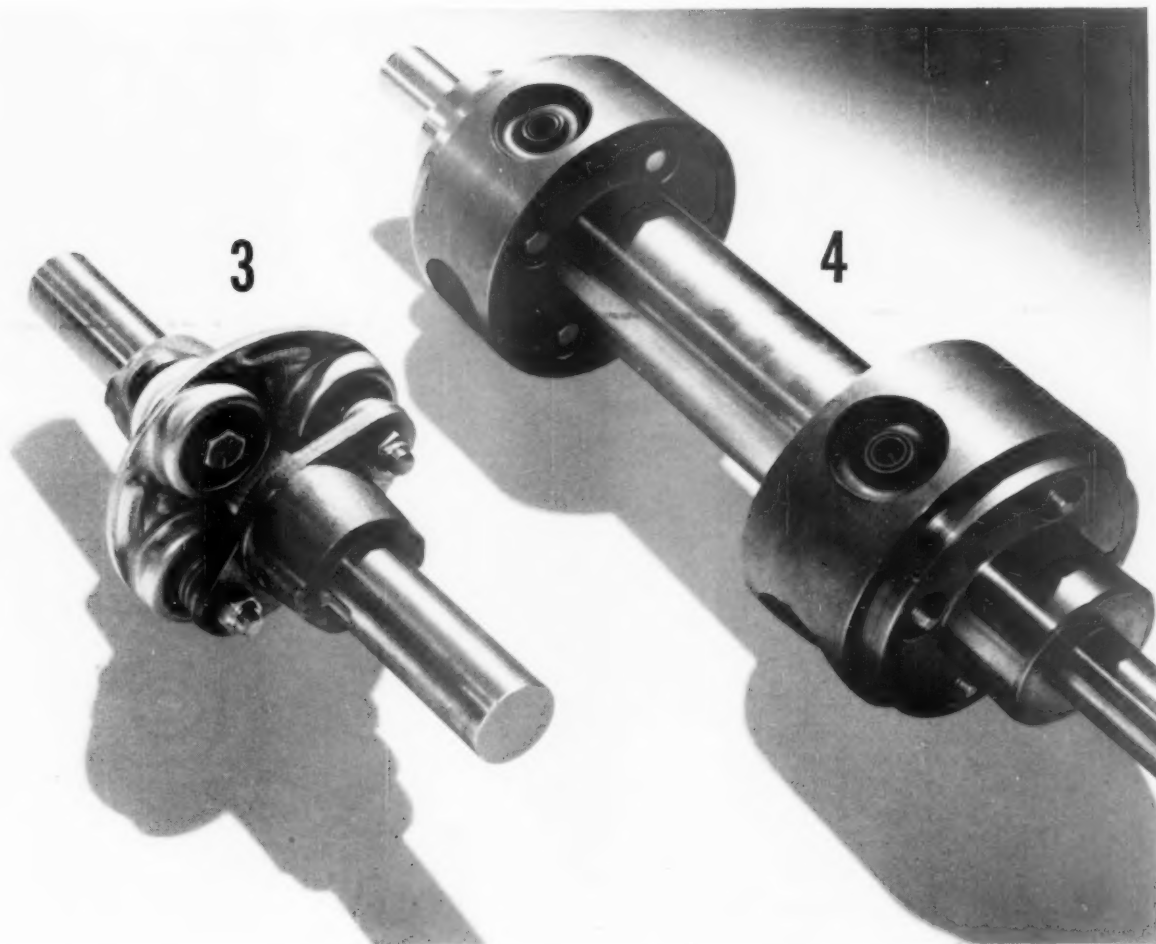
3 Morflex Couplings:

Preloaded neoprene biscuit assembly reduces misalignment stresses, increases bearing life; protects machine from shock and vibration.

4 Radial Couplings:

Neoprene biscuits— assembled radially on pins—take heavy thrusts, torques, shocks, frequent load reversals; retain torsional flexibility.

NOTE: All Morse couplings are available in driveshaft constructions.



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all four of these flexible couplings

REMEMBER: Nobody gives you a more *impartial* analysis of your power transmission problems than Morse, because *only Morse* offers all four of these basic drives: Roller Chain, Silent Chain, Hy-Vo®, and "Timing"® Belt Drives . . . plus a complete line of power transmission products.

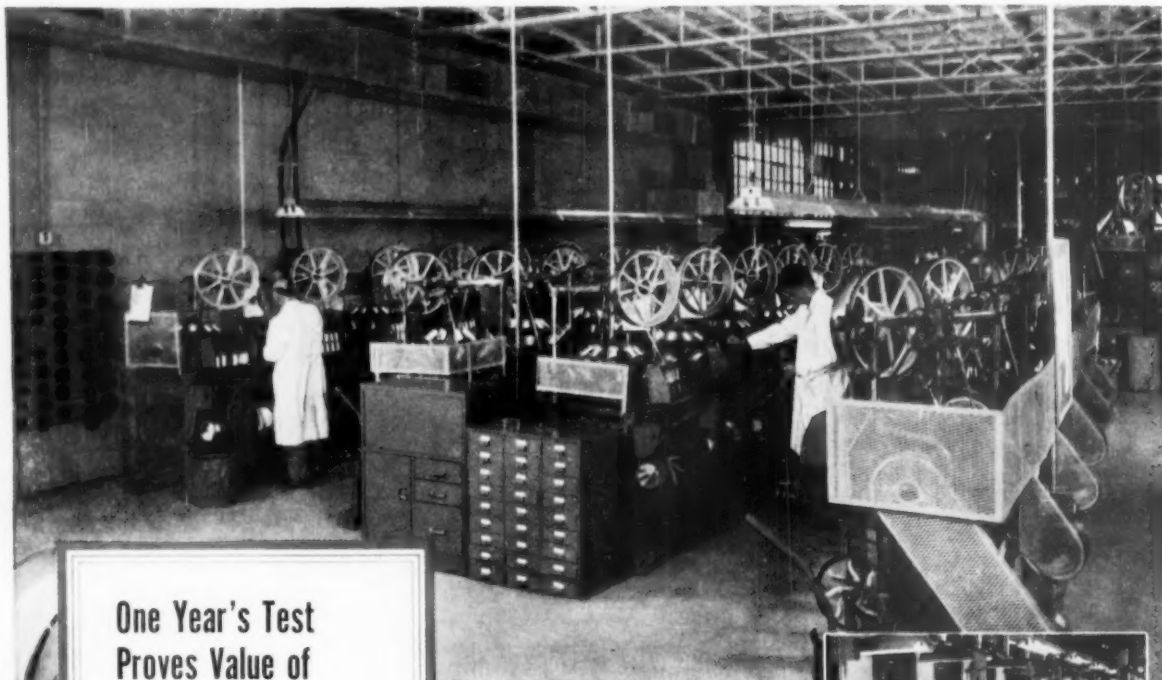
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One Year's Test Proves Value of Pittsburgh Color Dynamics® in Hitemp Wire Plant

Modern painting system improves efficiency and morale so well it is used throughout specially designed new factory.

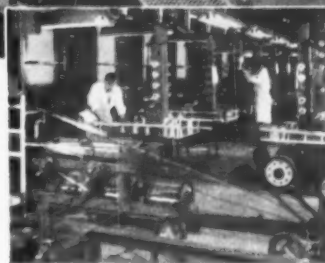
One year's test of Pittsburgh COLOR DYNAMICS proved so successful for Hitemp Wires, Inc., of Westbury, N. Y., that this modern system of painting has been used throughout its new 43,000 sq. ft. structure.

• Hitemp Wires, Inc., has grown within seven years into one of the

leading manufacturers of high temperature insulated wires and cables. Its products are sold to leading manufacturers of missiles, aircraft and electronic equipment.

• How COLOR DYNAMICS has helped to improve efficiency and morale in the Hitemp plant is best told in the words of George F. Rolfe, president: "About a year ago, our rapid growth required the leasing of temporary space. This presented an opportunity to try COLOR DYNAMICS. The results in efficiency, morale and safety for our workers proved so successful, we decided to adopt this painting system as standard throughout our new plant which was especially designed for our kind of production.

• "Walls, ceilings and every piece of machinery and equipment were painted according to this system. Moving into this new, efficiently designed structure has improved both volume and quality. While we believe the new facilities have contributed to this betterment, COLOR DYNAMICS has also proved



to be an important factor.

• "COLOR DYNAMICS has made our new plant more pleasing to the eye, as well as aiding efficiency and morale. It has encouraged good housekeeping and cleanliness, a serious problem in our kind of plant because of the variety of miscellaneous small items used in processing wires and cables. We can heartily recommend this system of painting to industry as a key to improving efficiency, morale and general working conditions."

• Why not test the practical value of COLOR DYNAMICS in your plant? Try it on a machine or two, or in a complete department—and see the difference it makes.

Get This FREE Color Plan for Your Plant

• For a complete explanation of the way COLOR DYNAMICS can make your plant more efficient and safer, send for our free, comprehensively illustrated booklet. It tells you how to put color to work for

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

SEPT. 20, 1958



The Formosa crisis by midweek seemed to be turning into a test of nerves—one that combined diplomatic sparring at Warsaw and a military seesaw in the Formosa Strait.

The Warsaw talks between the U.S. and Chinese Communist ambassadors are bound to be lengthy, assuming they get anywhere at all. The U.S. is trying to get a cease-fire on the offshore islands first. To get it, Washington seems ready to offer neutralization of the islands. But even a provisional agreement on the future of Quemoy and Matsu will be resisted every step of the way by both Peking and Taipei. Both fear loss of face from any concessions. The U.S., of course, isn't in any mood for one-sided concessions to Red China.

The military test has become a seesaw tussle to supply the offshore islands. The Chinese Reds have been avoiding American ships and planes that convoy Nationalist supplies. So, despite the Communists' heavy artillery barrage, U.S. officials are sure the Quemoy garrison can be supplied without resort to air attacks on the mainland.

Foreign criticism of U.S. policy on Formosa has been exaggerated. Most of our allies, and some neutrals, have told the State Dept. they support the U.S. stand against Peking's military grab for the offshore islands. Many of them, of course, deplore our failure to force the Nationalists to evacuate the islands long ago.

These facts could be important if the Formosa crisis becomes a big issue at the United Nations. And that could happen if the Warsaw talks break down, or if the military situation in the Strait worsens.

—•—

Middle East tension could again bring heated debates in the U.N. The lull in that area can't be expected to last long.

U.N. Secy. Gen. Hammarskjöld prevented new political explosions during talks with Arab leaders. But that's about all his mission accomplished.

Here's how observers in the Middle East size up the situation:

In Lebanon, U.S. troops already are departing. Most will be gone before—or soon after—Pres. Chehab's inauguration next week. Chehab is likely to try to establish better relations with Nasser's UAR.

Jordan is still the toughest problem. U.S. withdrawals from Lebanon make it difficult to keep British troops in Jordan. But without their protection, King Hussein would be open game for Nasser extremists.

Iraq's revolution isn't over—not by a long shot. Premier el-Kassem is building economic and cultural ties with Cairo. But politically he is blocking moves to make Iraq a Syria-type satellite of the UAR. He even seems to feel that Baghdad could become Cairo's rival as an Arab power center. But that doesn't go down well with the young officers, returned exiles, and Syrian-inspired socialists who favor a close link with Cairo.

—•—

In a move to check the business recession that's developing in Britain, the Macmillan government this week eased installment credit. The British downturn came about a year after that in the U.S.

This credit relaxation in Britain follows logically from the government's 125

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

SEPT. 20, 1958

midsummer move to end the squeeze on bank loans. After that came the mass invasion of the installment credit business by the big commercial banks and their adoption of personal loans—both for the first time in British banking history.

Government spokesmen now are talking up industrial expansion, hinting at new incentives for plant modernization.

The policy of ease isn't expected to affect the pound sterling. In fact, the government has been moving gradually in order to be sure that sterling could weather—as it has—the seasonal pressure that normally hits it this time of year.

London isn't forgetting British exports as it moves to stimulate domestic consumption.

Right now, at the Commonwealth Conference in Montreal, the British are set to offer new credits and loans to countries that are largely primary producers. This way, London hopes to make up for the loss of export income that these countries have suffered from falling commodity prices. It also hopes to persuade them to buy more British goods.

Before long, London may take a step toward full sterling convertibility—by unifying the exchange rates for “official” and “transferable” sterling.

Such a move has been urged by London bankers for some months. And, at Montreal this week, Canadian Finance Minister Fleming urged the British to make the pound completely convertible.

—●—

Tariffs and quotas will be cut by the European Economic Community on Jan. 1, according to schedule. France, though, probably will use the escape clauses of the Common Market Treaty to delay real changes in its protective system.

West German Chancellor Adenauer and French Premier de Gaulle agreed at their meeting last weekend to give the Common Market a green light.

The Adenauer-de Gaulle meeting also has improved prospects for the British-sponsored Free Trade Area. Both leaders would like to see the Common Market widened to include Britain, Switzerland, Austria, and Scandinavia.

—●—

Look for West German banks to follow the British banks into the business of personal loans and installment credit. The German banks will move as soon as they have worked out the details and the government has established the necessary regulations.

—●—

The Eisenhower Administration is leaning toward international agreements as a way to forestall higher duties on imported commodities, such as lead and zinc.

It's still not committed to accepting the plan for lead-zinc production and export quotas that was recommended at last week's London conference. But U. S. delegates say that our acceptance would help take the starch out of the Tariff Commission's earlier arguments for higher duties on the two metals.



HOW TO TAKE THE TENSION OUT OF STOP-AND-GO DRIVING

The amount of physical and nervous energy wasted every day driving in heavy traffic is astronomical. "Highway hypertension" can take all of the fun out of driving.

Bendix Power Brakes can do much to make driving a pleasure again. By making braking easier, especially for women, they reduce fatigue, increase your sense of security and thus reduce nervous tension. More people are ordering them on new cars every day. And once you've driven with Bendix Power Brakes, you'll never drive without them again.

Bendix Power Brakes are available with your new car purchase or can be installed on your present car. Most car

dealers, and thousands of independent automotive service outlets, have been trained to install Power Brakes on any passenger car in about one hour's time.

Last year alone, 1,959,416 car owners bought Power Brakes either as a factory-installed accessory or as a field installation. "Ask the man who does your brake work for a quick, easy installation on your present car".

Bendix background in braking is unmatched. The most recent development by Bendix is an automatically self-adjusting brake—eliminating the need for periodic brake adjustment. It is now standard equipment on two popular makes of cars.

Since 1927, we have built approximately 130 million brakes for cars, buses and trucks. Bendix introduced duo-servo four-wheel brakes in this country. Chances are every car you have driven since then has had Bendix type brakes.

Our Bendix-Eclipse brake lining goes on more vehicles than any other make. A few years ago we developed a special, new friction material called Cerametalix* to stop high speed jet aircraft.

Brakes for anything that rolls and must be stopped, right on down to coaster brakes for bicycles, are a Bendix specialty.

If you have a problem braking vehicles or machinery, call on Bendix' vast experience which is at your disposal.

*REG. U. S. PAT. OFF.

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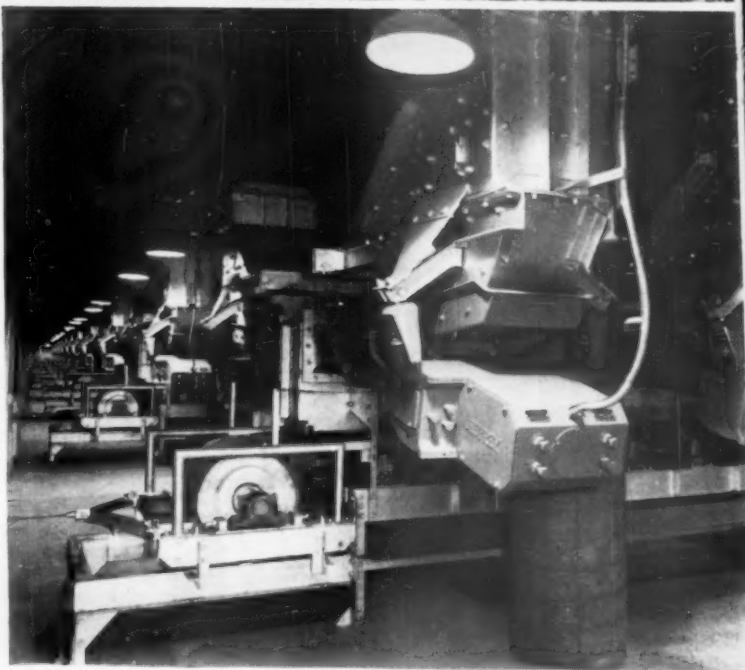


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A quarter mile lineup of Jeffrey Magnetic Separators are used in concentrator operations...108 single-drum ball mill cobbars were designed to remove about 18% tailings ...108 three-drum finishing separators, about 14% tailings.

324 Jeffrey Vibrating Feeders move ore to rod mills. There are 12 feeders to a processing line...but in an emergency, 3 of these Jeffrey feeders will handle the 100 ton per hour flow to each of the 27 lines. ▶





New Taconite Plant sets 24-hour, year-round pace

Magnetic separators help raise iron content of pellets to 64%

... Jeffrey feeders keep ore on the move

ONCE, there was plenty of high grade ore for the nation's blast furnaces. Now, taconite—a hard rock which assays only about 30% iron—is being used to help meet the demand for more and more products of steel. Iron yield of the Mesabi Range is being greatly extended by a new plant which can, *every day*, turn about 63,000 long tons of taconite ore into approximately 20,000 tons of pellets bearing up to 64% iron. And efficient, trouble-free Jeffrey equipment is an important part of the vast and highly mechanized operation necessary to make this processing economically practical.

Jeffrey Vibrating Feeders—48 heavy duty 5DTS units feed coarse ore from surge bins to cone crushers and screens. 324 Type 4DTH units feed fine ore to rod mills. 48 Type 4DTS feeders handle hot pellets as they are discharged from furnaces. Balanced vibration assures quiet operation, definite control, easier installation, low operating and maintenance costs.

Jeffrey Magnetic Separators—216 ball mill roughers and finishing separators are used in concentrator operations. After proper settings are made, feed may vary from zero to maximum capacity without need for further adjustment. Jeffrey separators are furnished in both permanent and electro types.

In all types of mining and processing of solids carefully engineered, precision built Jeffrey machinery and components provide long, dependable service. For complete details, write for Catalog 910. The Jeffrey Manufacturing Company, 960 North Fourth Street, Columbus 16, Ohio.



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Hoffa Tosses Out Gauntlet —And Monitors Pick It Up



CHAIRMAN of IBT monitors, Martin F. O'Donoghue, opposes convention.



ANTI-HOFFA monitor, Godfrey P. Schmidt, supports chairman against Hoffa.



HOFFA'S MAN on panel, Teamsters attorney L. N. Wells, votes as minority of one.

When Federal Judge F. Dickinson Letts ordered a public watchdog committee (pictures, left) set up over the International Brotherhood of Teamsters last February, he opened the way to almost certain conflict. It was something new and untested, and had to depend upon the cooperation of the IBT. Acquiescent as the union was at the time, nobody expected it would remain that way.

This week, conflict that had been brewing behind scenes for months burst out into the open. Supported by his general executive board, James R. Hoffa called for a special convention and election next February. Although Hoffa gave other reasons, such a convention would have only one real purpose: As Hoffa interprets the decree issued by Judge Letts, it would end the Teamsters monitorship—and leave Hoffa free to run his union without “interference” from outsiders.

The monitors reacted quickly—and adversely. By a 2-to-1 vote, with a Hoffa-designated monitor dissenting, the board ruled that a convention in early 1959 would be premature. There could be no guarantee of a democratic election by then, the majority said. For one thing, union records are “still too vague to determine who should vote.”

• **Hoffa Stronger**—There is no question, now, that Hoffa could be reelected when and if a special convention is held. He assesses his strength as greater now than at the IBT's last election in October, 1957. At least some of his foes in the union concede that it is. All apparently feel, as one leader opposed to Hoffa expressed it, that what Hoffa wants in the union, he has the strength to get.

He would “win in a walk” in an election, they say. Probably, he would be unopposed.

So, any Hoffa bid now for a new convention is made from strength. It is a move for a vote of confidence by a man who complains that he is being persecuted and made the target of “unfair and poisonous propaganda.” And, it is a grasping for a chance to retort: “See, in spite of all the commotion—the prying by the monitors, the McClellan committee hearings, and the AFL-CIO action against us—our rank and file stand firmly behind me and behind their international union.”

• **But Vulnerable?**—Except for the pro-Hoffa forces in the IBT—and nobody can really estimate their size—few in

labor or outside its ranks want to see Hoffa reinforced, or freed of the watchful eyes of monitors. There is a widespread feeling that Hoffa is vulnerable now, despite the legal adroitness that, up to now, has prevented charges against him from sticking. In time, they feel, he can be toppled.

This is why AFL-CIO is now increasing its pressure on Hoffa and the Teamsters, by ordering the further isolation of the truckers' union (BW—Aug. 23 '58, p. 77). It's why the McClellan committee is keeping close on Hoffa's heels, despite frustrations. And it's why the majority of the court-appointed monitors want to delay a special convention and election—and will fight in court to block one.

It's why there is a showdown looming.

I. The Monitorship

Hoffa was elected president of the Teamsters in the fall of 1957, after a rank-and-file committee of 13 failed to block the convention. The group, with Godfrey P. Schmidt of New York as their attorney and spokesman, charged that Hoffa forces “stacked” the convention by handpicking delegates—ignoring democratic procedures.

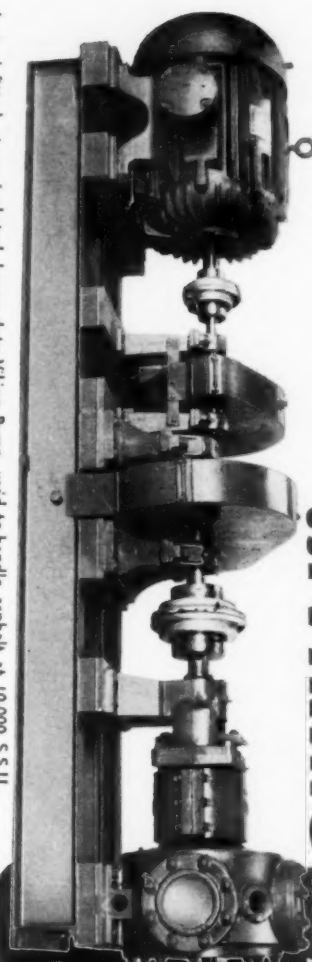
Hoffa and his entire slate won by a comfortable majority. But, the rank-and-file group obtained an injunction against the new officers. Hearings dragged on, repetitiously, as witnesses testified to the lack of true democracy in the union.

• **Compromise**—Toward the end of last January, the parties got together with Judge Letts and worked out a stipulation: The injunction proceedings would be dropped and the Hoffa forces would accept a monitorship—three observers, one designated by Hoffa, one by the rank-and-filers and a “neutral” chairman.

Because the order setting up this group had to be acceptable—as a consent decree—to the compromising parties, its wording was loose and vague on some points. There is ground for disagreement on what it actually requires.

On the matter of a special convention and election, for instance: Schmidt, the rank-and-file monitor, and the second and present chairman of the monitors, Martin F. O'Donoghue, contend that the judicial intent clearly was to authorize the monitors to set a convention date at any time they considered right for a “democratic” election, after

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a period of one year. The Hoffa forces, supported by their monitor, L. N. D. Wells, a Teamsters attorney, argue that nothing in the order does—or could—bar the union from calling a convention at any time. Further, they say, the order provides for the end of the monitorship following an election held after one year.

• **Hoffa Jumps the Gun**—In a six-month report, issued not long ago, the monitors' majority of O'Donoghue and Schmidt said some progress has been made. But, they commented, "There is a lot still to be done" before there can be any guarantee of democratic practices in the IBT. In effect, this served notice that O'Donoghue and Schmidt did not plan to call for a Teamsters election in February.

It was the last straw for Hoffa, who had complied reluctantly with most of the earlier recommendations of the monitors. Although angry over what he called "interference" with union affairs, he had avoided direct defiance.

Faced with the prospect of the monitorship running past next February, and fearing a "get tough" attitude directed by O'Donoghue, Hoffa took off the kid gloves. He pressed plans for a special convention in February, probably in Chicago.

Monitors objected in a late-evening meeting this Tuesday. Debate between O'Donoghue and Schmidt and the Hoffa forces raged hot and heavy for four hours. Early Wednesday, Hoffa bounded out of the conference to announce that "our members want an autonomous union" and, the monitors' wishes to the contrary, would go ahead with the convention.

The monitors, in strong counterattack, asked Judge Letts to bar any convention not given their prior approval. At the same time, they urged the federal judge to interpret or revise his decree to force Hoffa to comply with clean-up recommendations.

II. Hoffa vs. Monitors

In recent weeks, Hoffa defiance had been building up steadily.

The Teamsters head, cockier than he has been in months, said some time ago that he is "fed up" with the monitors and their staff of four. He complained that they are not working "with us to help the union, but against us." This is a theme that the IBT monitor, Wells, has been using, too, in a steady flow of dissents.

But, if being "fed up" is the reason for the stepped-up Hoffa defiance, by coincidence the defiance increased at a time when the O'Donoghue-Schmidt recommendations began hitting particularly close to Hoffa.

• **Hoffa Defiant**—The Hoffa administration balked, for instance, at election

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rules proposed by O'Donoghue and Schmidt to assure the "democratic" election of "clean" unionists; Hoffa, along with Wells, protested that the recommendations couldn't be followed without violating the IBT constitution.

When the monitors' majority called for action against officers of a Philadelphia local mentioned in McClellan committee hearings, Hoffa suspended one official and named a three-man committee to probe the charges. Up to now, there have been no further moves. The officers involved are Hoffa allies.

Similarly, the monitors called on Hoffa to suspend Detroit Teamsters leader Owen (Bert) Brennan, and called on the IBT general executive board to expel him from the union on charges of misappropriation of union funds. The monitors set a deadline, Aug. 25. But, to date, nothing has happened to Brennan, one of Hoffa's closest friends.

When the Hoffa administration has acted on monitors' recommendations, based for the most part on charges arising from the McClellan committee hearings, the moves have involved relatively unimportant situations. So far, no big steps have been taken—where Hoffa's authority and his close associates might be involved.

• **Union Commission**—To avoid questions of his willingness to act against corruption "at any level," Hoffa recently named a union-backed "anti-racketeering" commission to help clean up the IBT. Its chairman is former Sen. George H. Bender (R-Ohio), who once headed a House subcommittee that probed, for a while, into Teamsters affairs. Other members are F. Joseph Donohue and former Judge Ira W. Jayne, of Detroit.

"The commission is authorized to make 'impartial investigations,' and to do so, according to Bender, 'without restrictions.'"

What if charges should involve Hoffa directly? Said Bender, the commission will "surely act, if there is occasion to do so."

The members, union appointees, will be paid \$250 a day plus expenses.

• **A Smokescreen?**—The commission order pleased neither Sen. John L. McClellan nor the court-appointed monitors. O'Donoghue complained that the union investigators will operate "in direct conflict with the monitors."

McClellan committee people said the union group looks like "a smokescreen operation." This attitude within the McClellan group may mean that the Bender commission won't get access to McClellan committee records—a necessary requirement for any serious investigation of racketeering charges in the union.

• **Peak**—The Hoffa defiance of the monitors—and of the McClellan committee—probably reached its most out-

spoken, and most threatening, phase at the beginning of this week. As the committee opened the final week of its current hearings, with Hoffa on the stand, it soon became obvious that Hoffa was winning another round before the committee. Nothing could be pinned down. The committee staff became more perturbed and disconsolate by the minute, and Hoffa became more defiant.

At one point, he leaned across the table and warned the committee that he will shortly begin "barnstorming" across the country, to rally his rank-and-filers against the committee, the monitors system, and "persecution" of the union.

• **Growing Concern**—That threat worries nobody. But, the threat of an increasingly defiant Teamsters union—tightly controlled by Hoffa—is a matter of growing public and labor concern.

To the monitors, and to those who support them both inside the Teamsters and on the outside, the only solution is court action to support the

overseers. It is conceivable that the showdown involved in seeking this might lead to a long legal fight.

If this comes, all labor will be watching anxiously. Union attorneys say that intervention of a court in union affairs makes "good sense, in the case of the Teamsters, but a bad legal precedent."

At this point, union legal staffs aren't particularly worried. What has happened up to now has been pretty much a one-man operation—the monitorship was worked out under Judge Letts and no other judge has been called on to support or overrule him. Besides, the plan exists under a consent decree; so, they say privately, there are only slight chances of its ever setting a precedent for court intervention in the affairs of other unions if they aren't willing.

But, if the legal battle should broaden now, spreading to other courts and bringing basic issues of union rights into the debate, the rest of labor might be vitally involved.

Labor Strife Boils Up North

With both sides apparently fearful of further recession, unions and management are at loggerheads all over Canada.

Collective bargaining in the U.S. so far this year has been relatively free of turmoil. In Canada, however, where the recession has been deeper, strife continues to mar labor relations. Canada is plagued with more cross-country strikes, tie-ups, and pending trouble than at any time since Korea.

The reason apparently is that unions north of the border foresee another recession-bound winter and are out to grab off higher wages before company earnings drop. Managements, with the same prospect in view, are firmly determined to hold the line. The outlook is for a lot of tough, long battles around bargaining tables—with the union side backed by pickets on the line.

Some Canadian businessmen trace the present troubles to the influence of U.S. unions on their Dominion affiliates (BW—Jul. 19 '58, p. 70). Other Canadian labor observers think the difficulties are solidly rooted in Canada's own economic soil. Whatever the source, the outcropping of labor disputes may continue to fan the resentment of Canadian businessmen against what they see as U.S. influence in the unions.

• **Industry by Industry**—Here's how the strike picture looks now in Canada:

Metals. A strike of 7,500 steelworkers against the Steel Co. of Canada, Ltd., the country's largest steelmaker, is in its fifth week.

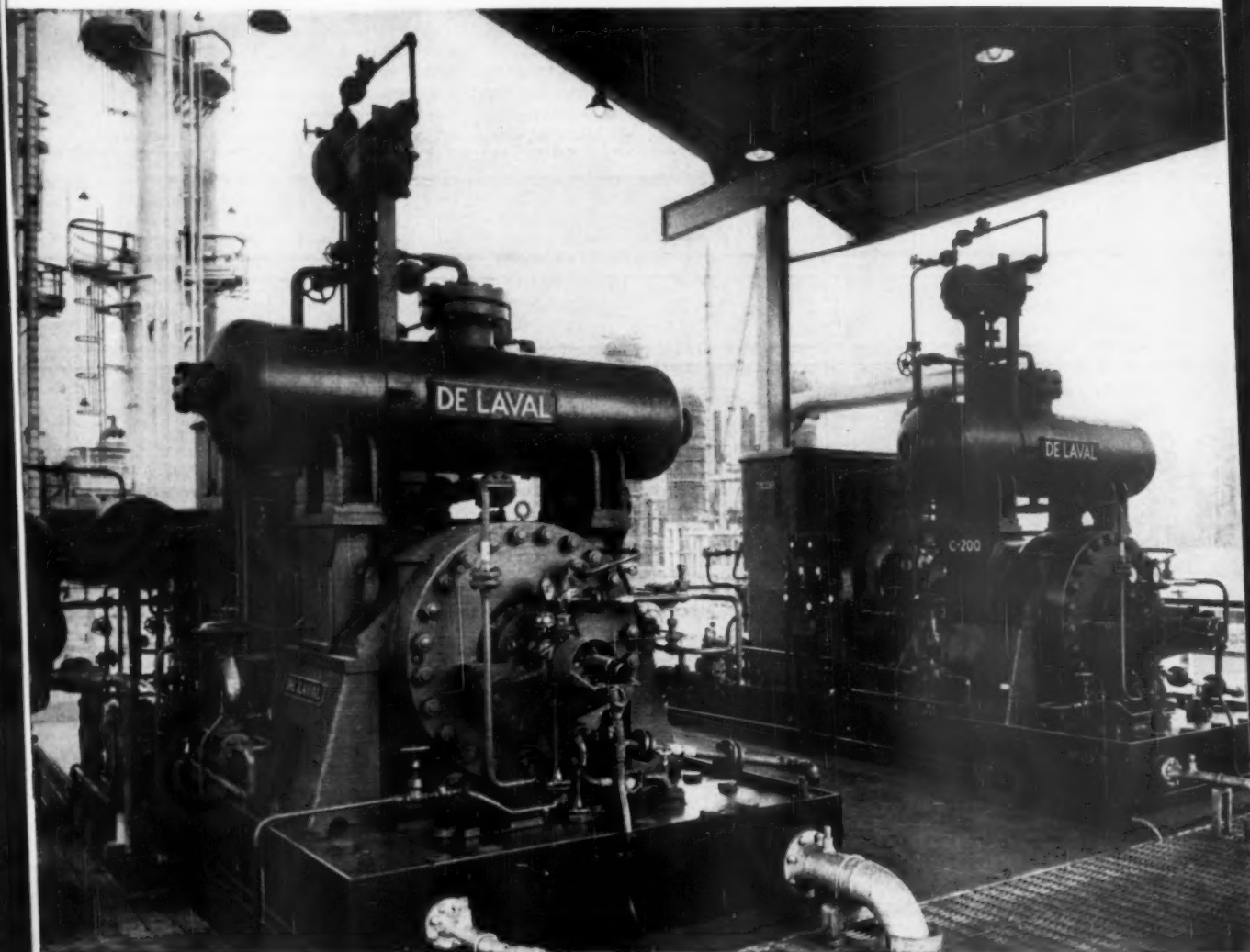
Mining. A government conciliation board has recommended against wage increases for 15,000 employees of International Nickel Co., but the Canadian

district of the International Union of Mine, Mill & Smelter Workers has rejected the finding. The present average wage of \$2.69 is among the highest in the country, but the union is pressing wage demands—and may strike.

Railways. The Canadian National and Canadian Pacific Ry.s. are embroiled in wage disputes with both operating and non-operating railway unions. The trainmen and firemen have demanded an immediate resumption of contract talks that bogged down earlier on union wage demands. Canada's 15 non-operating railway unions have accepted a conciliation board's award of a 4¢ an hour wage increase, plus two 3% boosts, one retroactive and the other to go into effect next spring. The railroads have yet to agree. In effect, by requesting a 19% freight rate increase from Canada's Board of Transport Commissioners, they are saying to the government that they can't provide higher pay without higher rates.

Ports and shipping. Both Canadian coasts have felt the impact of longshoremen's and seamen's disputes. Prairie wheat crops are piling up—at 400,000 bu. a day in Alberta co-operative grain elevators alone—because of a Vancouver longshoremen's strike. Members of the Seafarers' International Union, after tying up West Coast passenger and freight shipping, are now sailing, but under federal orders drawn under a compulsory arbitration law. West Coast shipyard workers are taking a strike vote this week on wages.

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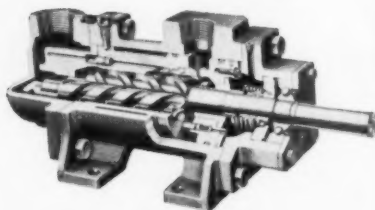
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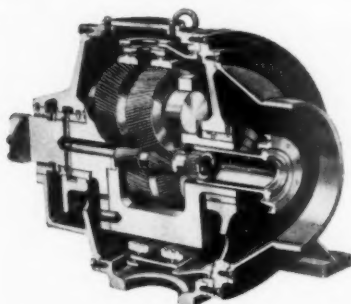
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Tough Fight Ahead in Steel

McDonald warns USW to close ranks for heavy bargaining—and perhaps a "long strike"—next year. Actual demands will hinge on the economy, and the auto settlement.

The United Steelworkers tightened ranks this week for an expected "very tough go" in basic steel bargaining next year. Warned by their officers that "a long strike" is possible in 1959, delegates to USW's biennial convention in Atlantic City gave Pres. David J. McDonald a vote of confidence to strengthen his position at negotiating tables in the spring.

- **No Demands Yet**—So far, the steel union has limited discussions of possible demands to the broadest of generalities. Its leaders will not begin formulating a specific program until the end of the year. In large measure, what USW will press for in 1959 will depend on the settlement at auto bargaining tables this year (page 34), and the state of the national economy in the first half of next year.

But, resolutions submitted by some steel locals reflect the thinking that is now going on. Among other things, these propose bargaining for:

- Pensions for those who want to retire after 20 years of service, regardless of age.

- The "improvement and extension" of present supplementary unemployment benefits programs, which, the union said, "prevented the usual 'snowballing' effects of layoffs which, in prior recessions, resulted in greater distress."

- "Better" insurance coverage for steelworkers and their families.

- Increased premium pay for weekend work—an enlargement of gains made in 1956.

- A shorter work-week or some other "sound" steps for "distributing work to the entire steel work force," so that technological advances will not result in "a permanent army of unemployment or . . . reduced earnings."

- Plus, of course, "more money as take-home pay."

To get these things from a resistant management in 1959 will take a union "united as it has never been united before," McDonald warned. Delegates answered by laying the groundwork for the unity he urged.

- **Factionalism**—Since two years ago, factionalism has existed within USW. It has created problems for McDonald—and last year threatened his hold on the presidency he inherited from the late Philip Murray. For a time this year, it promised trouble for the McDonald leadership at the convention this week (BW—Jun. 7 '58, p.99).

A number of factors contributed to a drop in the importance of the rebel group in the weeks before the Atlantic City session. Personal attacks on McDonald from the outside rallied union members to his defense. The recession and the auto industry's tough stand against the United Auto Workers worried the steel unionists:

So, there was a swing to McDonald—and the McDonald forces capitalized on it in the opening stages of a tightly controlled convention. They advanced a resolution of support for McDonald, and lashed at his foes within the union as "dual unionists," "finks," and worse. They threatened "the enemies within" with expulsion. "Let's clean 'em out," one speaker said, angrily. For a time, despite husky ushers and admonitions from the platform against "cracked heads," any provocation—such as an attack on McDonald from the floor—could have led to blows.

When votes were counted on the McDonald resolution, there was none against it. McDonald pledged to carry on. Privately, his critics condemned "roughshod tactics" used to quiet them: They said their fight will go on—but less openly.

- **More Militance**—This much is certain: McDonald and his administration will be more militant in the months leading up to the expiration of basic steel contracts next July. In the past he has been an advocate of mutual trusteeships in relations between labor and management; but McDonald has been stung by charges that through this policy he has been "consorting" with management.

Reflecting this, his opening address at the convention this week and subsequent remarks included some of the strongest language he has used against employers when the pressure of bargaining wasn't present.

"The vast majority of the operators of plants and mills have betrayed our good faith," McDonald charged. This must be regarded as a statement intended to rally rank-and-file support, but, still, it is a theme that McDonald can be expected to use to turn his back on mutual trusteeship policies as 1959 bargaining approaches.

His marked bargaining successes are the strongest defense McDonald has had against his foes in USW so far. Challenged, he is going to try for bigger ones in 1959. **END**

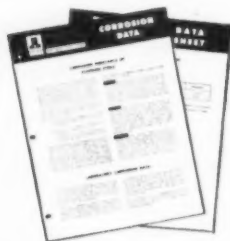


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In Labor

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Rival Groups in Chemical, Atomic Field Prepare to Set Up "One Powerful Union"

Delegates to a convention of the Oil, Chemical & Atomic Workers will be asked next week to approve a tentative plan for a merger with the International Chemical Workers. The object is to create "one powerful union" in the increasingly important jurisdiction of the now rival unions.

Negotiating committees for the OC&AW (175,000 members) and the ICW (85,000) worked out merger plans earlier this month. The OC&AW convention, in Long Branch, Calif., will be the first to act. ICW will consider the unity plan at its convention in Washington, opening Oct. 6.

If both accept the tentative merger program, unity is a strong probability by 1960. Meanwhile, the unions will begin coordinating activities "at all levels" so that, unlike parent AFL-CIO, the unions will not find themselves unified at top levels before groups at the bottom are prepared to work together.

• • •

Change in Nationality of Owner Fails To Stop SIU Tie-Up of Eight Ships

The Seafarers International Union this week apparently successfully "spooked" eight former Canadian vessels, now owned by Cuba's foreign trade bank, Banco Cubano del Comercio Exterior.

Cuban crews sent to man the eight disputed ships were recalled to Cuba after the SIU had tied up two Cuban ships in New Orleans and two others in New York. The Seafarers Union also managed to block repairs on the eight ships in Canadian shipyards.

One ship managed to sail—with a Cuban crew—from Halifax and put into Baltimore for repairs only to be greeted by SIU picketing.

The eight disputed ships were sold to Banco Exterior by the Canadian National-West Indies Steamships, Ltd.—wholly owned by Canadian National Ry.—for \$2.4-million (BW—Sep. 6 '58, p. 112) after an SIU strike tied up the ships for 14 months.

• • •

Building Service and Hotel Unions Squabble Over Plush Chicago Motel

Who gets jurisdiction over a plush new 301-room motel in Chicago—the Building Service Employees or the Hotel & Restaurant Employees? The question may put AFL-CIO's jurisdictional disputes machinery to an important test.

The Building Service Employees signed a contract covering "housekeeping" employees of the 50th-on-the-

Lake Motel in June. The union has similar contracts, it says, with 60 other Chicago-area motels.

Last week, the Hotel & Restaurant Employees claimed jurisdiction over the 50th-on-the-Lake employees. The union said a motel is just a hotel operated differently. It picketed the motel for two days in an effort to force recognition. A court writ ended the picketing, at least temporarily.

AFL-CIO was asked to intervene. The hotel union hasn't signed the "no raiding" pact, under which AFL-CIO unions agree to respect each other's jurisdiction. However, the federation early this year extended the scope of its jurisdictional disputes machinery to all interunion squabbles.

• • •

Benefits to Laid Off Workers New Source of Labor Friction

Many employers found this year that their contracts, negotiated in times of high employment, are fuzzy on management's obligation to continue employee benefits during layoffs. Lack of specific contract language has led to unexpected union demands for benefits, some serious disputes.

For instance, one employer (Ottumwa Foundry) has a contract that requires employees to work the "scheduled workday" before and after a holiday to be eligible for holiday pay. A union claimed—and won—holiday pay for employees who were laid off before the holiday period. An arbitrator held that they qualified because they worked the "scheduled workday" before the layoff and the day of their recall.

According to the Bureau of National Affairs, Inc., this isn't an isolated case. Many similar disputes have arisen, and many have gone to arbitration. Decisions in these have varied, indicating that there are few clear-cut rules on what to do about employee benefits during layoffs.

According to BNA, the only safe thing is to spell out precisely what employee benefits will be continued when and if layoffs occur.

• • •

Westinghouse Strikers Lose Claim To \$10-Million Unemployment Benefits

Unemployment compensation can't be used as "an instrument to gain concessions in the course of collective bargaining," the Pennsylvania Superior Court ruled last week. The court denied possible benefits totaling \$10-million to 25,000 Westinghouse Electric employees who lost time in the 156-day strike in 1955-56.

The court overturned a ruling by Pennsylvania's Secretary of Labor & Industry and a finding by the state's Unemployment Compensation Board. Both held that members of the International Union of Electrical Workers and the independent United Electrical Workers could draw jobless pay for three months of time lost.

The question at issue was whether an employer's refusal to accept binding arbitration proposed by the governor converts a strike into a lockout. The court held that it did not.

Workers idled by a lockout are entitled to unemployment benefits; strikers aren't.



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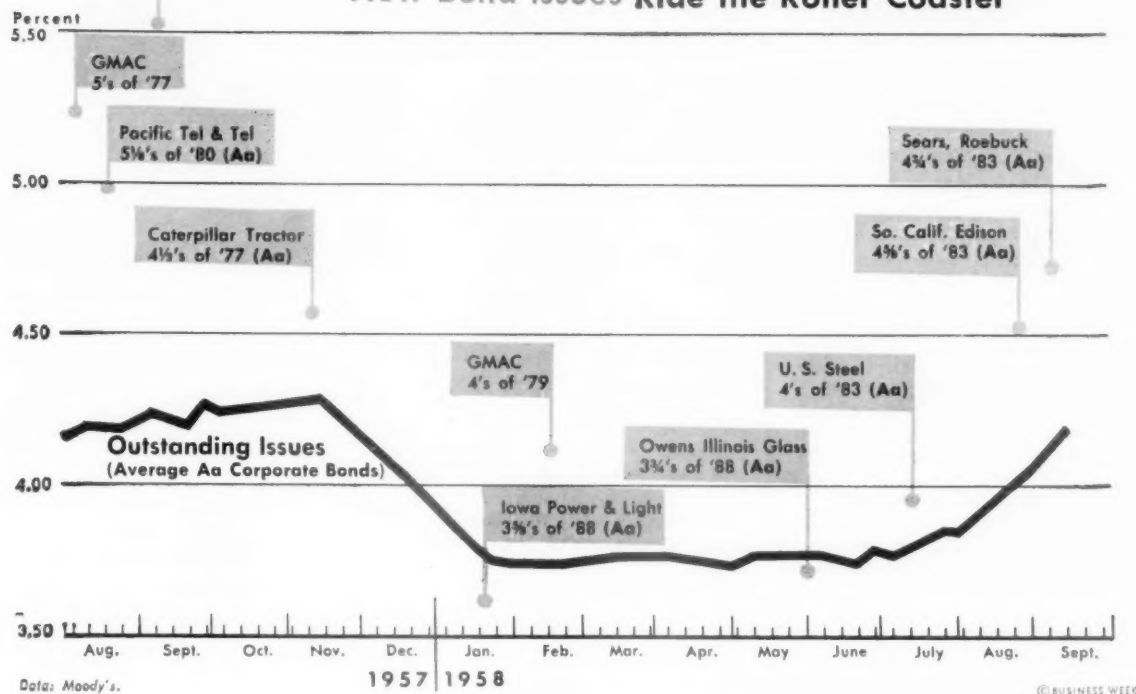
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THE MARKETS

New Bond Issues Ride the Roller Coaster



Bonds Take Turn for the Better

Since Sears, Roebuck & Co. came to the capital market for \$350-million in long-term debentures last week, things have been looking up for the bond dealers. It may only be a false dawn, but after the dark summer, when bond prices collapsed—and yields rose—at breathtaking speed, any relief for the bond market is welcome.

The chart above illustrates the wild gyrations in corporate issues. Last year, when the Federal Reserve was pressing its tight money policy, borrowers had to pay the highest interest rates since World War II. The decline in outstanding bonds was rough, but for new borrowers, who were trying to anticipate the market and had to attract investors, the prices they had to pay ranged far above the market.

• **Easy Money**—When the Fed switched to easy money, the cost of borrowing was drastically reduced. The result was a bull market in bonds, and very low coupons were placed on new issues. This rise in prices—and fall in yields—was short-lived, however. In the past few months, prices have dropped—and yields climbed—at an even dizzy pace.

The Sears issue was a turning point,

at least over the short term. It proved that funds are available for bonds, clearly refuting the notion that there is a wild flight from bonds into stocks. This idea had so scared the bond market that, for a time, it seemed impossible to sell a bond at any price. But now it is evident that the market is bothered not by high rates, but by the fear of constantly rising rates.

This explains a good deal of the switching from fixed-income securities into equities. Many institutions feel that they must invest in stocks as an inflation hedge, and one of the last big holdouts, AT&T's \$2.6-billion pool of corporate pension funds, has joined other institutions as stock buyers (page 31). Still, lots of institutions need income, and as Theodore A. Von Glahn, of Salomon Bros. & Hutzler, puts it: "The money is there for bonds, if the bargain is there."

• **Refund Clause**—Sears was apparently viewed as a bargain. It put a coupon of 4.75% on its offering, clearly a high yield. Even more, it added a provision that bars Sears from refunding the issue at a lower price before 1965. The combination proved attractive enough

to make for an immediate sell-out, and this week the bonds were going at a handsome premium.

The lesson seems plain. Companies wanting to borrow in the capital market have to pay a high price—and give protection to the lenders. When they don't, there is trouble. Underwriters point to the break-up of the syndicate handling the Public Service Electric & Gas issue last month because a non-refundable feature was not provided.

While institutional investors are not spurning the bond market as a whole, they are much more choosy. And underwriters say they have a right to be. As one investment banker put it, "Inflation is what everybody is afraid of, and you can't sell bonds in volume unless you give investors some protection against inflation. The protection they want is a high yield."

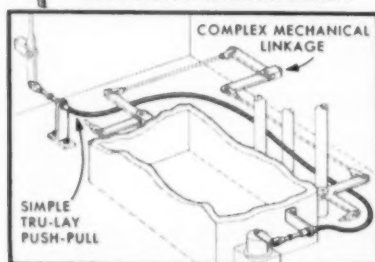
• **Need for Income**—Von Glahn is one who thinks that investors make a mistake in turning a cold shoulder to bonds. He agrees that fear of inflation has taken hold, but he does not believe that the economy can prosper without a viable bond market. He stresses that bonds are on the downside of the cycle now,

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... more salable

The DATA FILE offered below shows how the Precision Construction of these PUSH-PULLS provides sustained accuracy, lifetime service and improved operating characteristics for literally hundreds of products (ranging from relatively delicate photographic equipment to the roughest and toughest dirt-moving equipment) to make them more useful ... more salable.

Here is a picture of
SIMPLICITY vs COMPLEXITY



Tru-Lay Push-Pulls are Simple ... have One Moving Part ... provide Lifetime Service, Lifetime Accuracy, Low-Over-All Cost and they are Noiseless. We have never heard of a Tru-Lay Flexible Push-Pull wearing out in normal service.

Mechanical Linkages, as shown dotted in the drawing, are Complex, have Many Parts, Many Points of Wear to create Increasing Back-Lash with Loss of Accuracy and Multiple Vibration Rattles.

The six bulletins and
booklets in the
DATA FILE

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but that they will still be bought. Plenty of investors, he says, need a steady income.

Von Glahn does not feel that yields will fall, however, even if the supply of investable funds increases. As he sees it, we are in a period of rising interest rates that will not be permanently reversed until the supply of funds grows at a much faster rate.

Some bond men flatly say that the Sears issue marked a turning point. According to one bond salesman, "If other companies follow its pricing policy, then we may have seen the worst." And this week it looked as if they might. Standard Oil Co. of Indiana, for instance, priced its \$200-million Aaa-rated debentures at a handsome yield of 4.57%.

There's no doubt the Sears issue gave the market some breathing space. New issues that followed it to the market have been quickly absorbed—some at premiums. Moreover, prices of some outstanding bonds have perked up, although dealers say the market remains thin. There also has been a slight rally in municipals, with the Bond Buyer's index moving down this week from 3.59% to 3.54%.

• **Over-Rosy**—After the sharp decline this summer, any rally, no matter how temporary, tends to look better than it is. There is little hope of a sustained rally in bonds, but there is a feeling now that the decline in prices won't resume at the summer's galloping pace.

From now on, any decline in price—and rise in yields—is likely to be slower. But the decline will doubtless continue. The nation's money managers are more concerned about the threat of inflation than about the weakness in bonds, and as long as they tighten credit to curb inflation, then money rates will rise.

The banks have already raised their prime rate to 4%—and borrowers who do not rank as prime risks, have to pay even more. This may be only the first round of tightening. The Fed may well increase its discount rate—now at 2%—after the Treasury's big financing later this month. If that happens, the banking system will be prompted to get even tighter with borrowers.

• **Treasury Issues**—The Fed's restrictive move has hit the government bond market hardest of all. Most bond dealers say that the decline in Treasury issues is not over. They point out that the commercial banks, which in the first half of this year added about \$6.5 billion to their holdings in governments—mostly intermediate and long-term issues—will be liquidating them to finance loans. And institutions seeking income are continuing to sell governments in favor of corporates—mostly because of the 1% or so difference in yield.

If the Treasury market continues to

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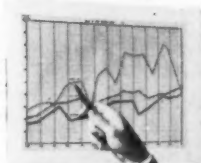
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fall, there isn't too much chance of stability in other fixed-income securities. As one dealer says, "Every time governments drop half a point, the corporate market suffers."

However, high yields can smoke out investment funds. This is particularly true now that mortgages do not offer as attractive an interest rate as many bonds, and stock yields are generally below high grade bond yields. But the violent drop in prices this summer has made both borrowers and lenders act like players in a poker game. "They're out to bluff each other," explains one dealer. "Each is waiting for the other to make the first move."

• **Sitting Back**—"Everybody is playing it cozy," adds John A. Richardson of Bache & Co. "You think you have a deal circled (bond market jargon for a commitment) and then you find your buyer holding back, waiting to see if there is a stampede for the new issue. If there isn't, you've lost. He pulls back, and buys the bonds on the break."

Many institutions have been successful lately in this second-guessing. A fine example is the \$300-million U.S. Steel debenture issue. One institution held back from buying at the opening of 100½—then went in this week and took a bundle at 96.

Not all institutions can play this waiting game. As Robert L. Harter, of First Boston Corp., explains about state and municipal pension funds: "The money piles up in some of those institutions at a prodigious rate. They just can't stand still; they've got to get it invested."

• **New Buyers**—Most of the money now showing up in the corporate bond market comes from such institutions as the pension funds and the bank-managed trusts. But bond salesmen note that there are a number of other institutions just coming into the market. Some mutual savings banks are switching from mortgages—which are headed up, but slower than other rates—to bonds. There's also buying power coming from Canadian life insurance companies and casualty firms.

This new institutional interest has emerged at a time when the calendar of new issues is fairly light, so there is no difficulty selling what is available. All summer, the weight of new offerings depressed the market. Now, there are fewer issues, partly because some would-be borrowers refuse to pay the new high rates.

As rates go higher, more money should be forthcoming. But no one in the bond market is betting on an early reversal of the bear market. As one underwriter put it, "Rates will probably go to record highs before we turn around again." **END**

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investing...

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In the Markets

• • •

Bond Market Has Guessing Game

On Coupon for Treasury Issue

The big question in the money market this week was what interest rate the Treasury would put on the \$3-billion to \$3.5-billion cash offering it needs this month.

Government bond dealers agreed that it will be a short-term issue, but they have different guesses on how it will be accomplished:

Frederick G. Farnsworth of Chemical Corn Exchange Bank, favors a June, 1959, bill offered for competitive bidding. He feels that the Treasury will have to pay at least 3½% on a certificate, doubts that "it would be well received." But a bill, he says, "would let the market set the rate."

C. Richard Youngdahl of Aubrey G. Lanston & Co., goes along with a June bill to be sold at public auction. "If the Treasury tried to price the market, and guessed wrong, it would be a disaster. And if they think they can put a 3½ coupon on a certificate, they're mistaken. They'll find buyers out to lunch."

Philip V. Mohan of First Boston Corp. and Arthur J. Bellinzoni of Devine & Co., veto the idea of a bill auction. According to Mohan, "a June certificate can be done for a little less than 3½%."

D. William O'Kolski of New York Hanseatic Corp., votes for a June certificate—"treated the same way as a Treasury bill." But he thinks the Treasury could get big participation from corporations and banks if it priced its coupon in the neighborhood of 3½%.

Girard L. Spencer of Salomon Bros. & Hutzler, is a dissenter. He thinks the June date should be saved for the Treasury's next cash financing, when more corporations will be interested in a tax-anticipation certificate. He plumps for "either a May 15, 1959, certificate or a 13-month note. The market would go for a minimum of 3% for the May certificate, and around 3½% on the longer note."

• • •

SEC Pushes Disclosure Rule

On Stock Deals by Foreigners

Moving to crack down on evasion of U.S. securities laws by foreign "code numbered accounts," the Securities & Exchange Commission this week proposed a new regulation that would require brokers to disclose all "significant" stock transactions by foreigners.

SEC defines as "significant" any transaction or series of transactions within a six month period that involves 1% of a company's stock, or \$50,000. SEC admits that this rule won't disclose names behind code-numbered trading. But it says that it will be able to keep much closer tabs on foreign activity because the new information will enable it to jump in quickly with an injunction against any broker involved in any fraudulent-looking trading.

In particular, SEC says, the new rule will block sales of foreign securities that have not met U.S. regis-

tration requirements but nevertheless are sold in the U.S. At present, there is no ban on trading unregistered foreign stocks as long as no more than a legitimate secondary market exists here. But some foreign companies have attempted to float unregistered issues in the U.S., which is against the law.

The new regulation may not go through. SEC has asked brokers to present their opinions before deciding on whether or not to go ahead with the proposal. At midweek, brokers were reluctant to comment, claiming they need more time for study.

One broker said that if the regulation stands as it is now, it will mean a small fortune in bookkeeping costs. For this reason, he maintains, lots of very respectable houses—who could never be accused of shady operations—will be opposed to the proposal.

Another proposal, to give the SEC increased powers over private placements, was suggested this week by a special Congressional subcommittee. Concerned over possibilities of fraud and manipulation that could be detrimental to public stockholders, the group suggested that registration requirements that now apply to any public offering should also apply to private placements—direct sales of securities to banks and insurance companies.

SEC took this proposal under advisement, but pointed out that, if it was adopted, it would probably slow the flow of capital into bona-fide placements. According to SEC Chmn. Edward N. Gadsby, more rigid regulation might be "too restrictive."

• • •

Minority Holders Reported Sneering

At Cities Service Bid for Subsidiary

Rumors are flying in Wall Street that Cities Service Oil Co., in compliance with an SEC order (BW-Aug. 2 '58,p53), will shortly offer to buy up the minority interest in its subsidiary, Arkansas Fuel Oil Corp.

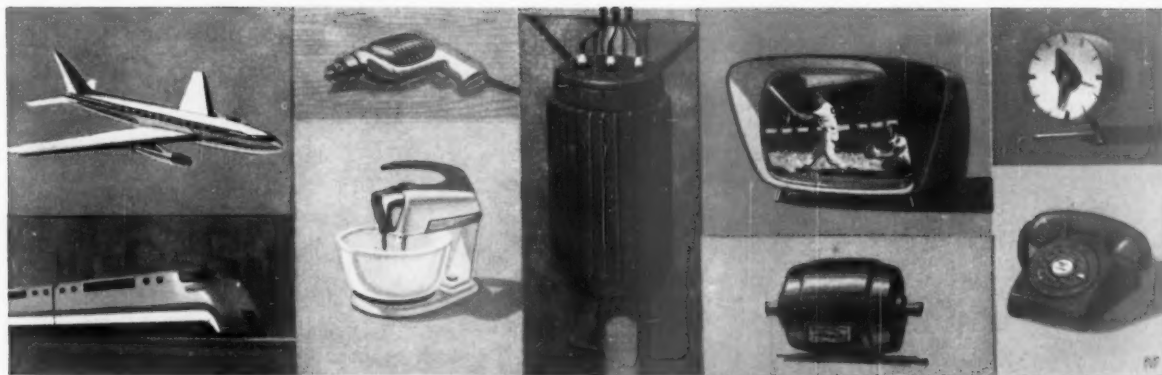
The offer, according to the rumor, will be a convertible bond, with a value of about \$50, per share of Arkansas Fuel. However, present holders of Arkansas Fuel are said to be very unhappy about the price, may go to court for a public appraisal of the stock.

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The Markets Briefs

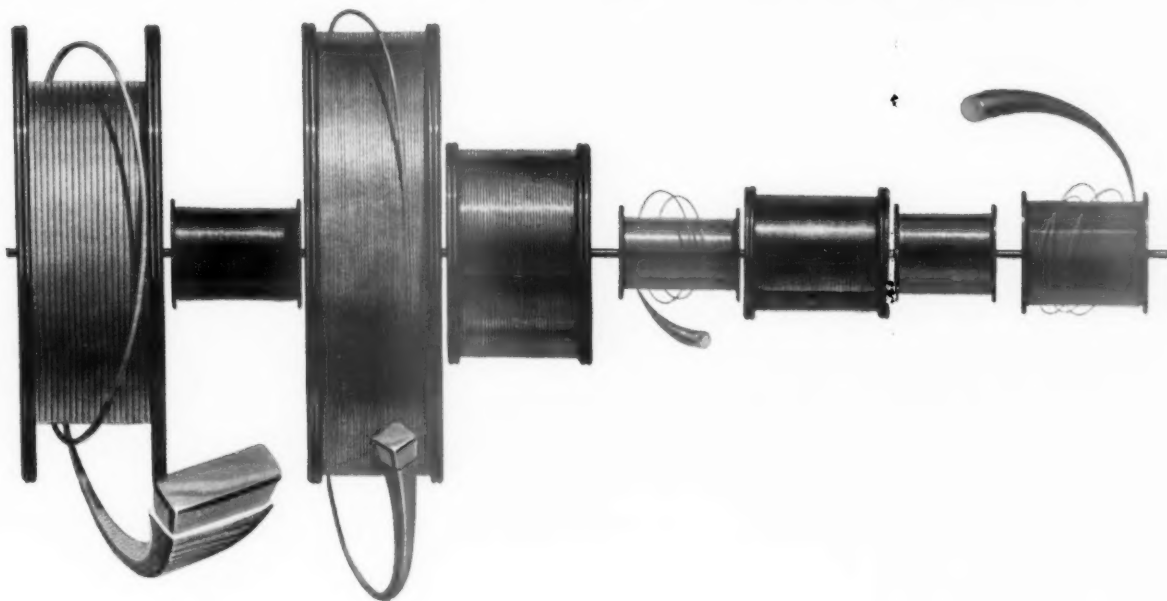
Small investors aren't expected to get much of a chance to buy shares in the Great Atlantic & Pacific Tea Co. when the huge grocery chain "goes public" soon (BW-Aug. 9 '58,p83). (At present, 60% of the 1,150,000 voting common shares are held by the Hartford family, 40% by the John A. Hartford Foundation.) There are persistent rumors that some of the nation's biggest insurance companies have already lined up first crack at whatever A&P shares are publicly distributed.

A settlement appeared near this week in the fight for control of E. L. Bruce Co. (BW-Sep. 6 '58,p134). With court records showing that Edward M. Gilbert has just over 50% of the outstanding shares, it is expected that the Bruce family, rather than risking total defeat in a proxy fight, will negotiate a deal with Gilbert.



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PERSONAL BUSINESS

BUSINESS WEEK

SEPT. 20, 1958



A BUSINESS WEEK

SERVICE

Whether you'll be shooting pheasant up in the Dakotas this season, hunting bear in the North Maine Woods, or just weekending with a squirrel gun in the woods back of your home, now is the time to get your gear set and your skills sharpened for the field.

Nationwide hunting outlook this year: good.

The novice, of course, will want to do some "homework" before he tackles his first hunt. This means buying the right firearm for the job, and boning up on its use.

For upland game (rabbit, squirrel, etc.) and birds, the 12-gauge shotgun is the standard choice. A double-barrel gun with 26- or 28-in. barrels, bored first barrel open and second barrel modified choke; or a repeater with a single 26-in. barrel, either open or modified, are the best types, say the experts. The specific selection depends on whether you're a fast or slow gun handler.

In any case, get a light gun, under 7 lb. Price range for a good American-made model will run from about \$95 to \$425.

Don't worry too much about all the different powder loads and shot sizes. For most small game, field or trap loads with No. 7½ shot will do fine, though for pheasant, more powerful shells with No. 6 shot are needed.

For hunting big game in the U. S. (deer, bear, elk, and so on), you'll do well to consider a .308 caliber rifle—one that takes the "308 Winchester" cartridge which has earned an excellent reputation in the past few years.

You'll want a center-fire lever action for fast work, especially in woods, and/or a center-fire bolt action for long-range accuracy shooting. Price range: for a serviceable model without embellishments: about \$90 to \$135.

The .308 cartridge is quite versatile—as to bullet weight and type—and thus practical for nearly all species of American big game. Distance rifle work (over 100 yd.) may call for a telescopic sight, either 2½-X or 4-X power. A good scope ranges from \$35 to \$90.

Clothing for the field takes some careful thought. Good boots, of course, are a must. A rubber-bottom, leather-top boot about 10 in. high is the old reliable—best under normal conditions. Use leather sheepskin inner-soles, and wear heavy good-quality wool socks. (Lightweight socks are useless, say old hands.)

Cold mountain country may call for a heavy insulated boot with hob nails; some Southwestern hunters recommend lighter-weight footwear that is calf-high.

Hunters of small game and birds will want a sleeveless hunting vest for early season, and a waterproof duck jacket for colder weather. Big game hunters should dress to fit the climate and terrain. One good idea is to copy the North Woods lumberjack, and wear a wool shirt and an easy fitting wool jacket.

If you hunt with a rifle, wear suspenders—let your shoulders take the weight of your pants on long, all-day hikes. It's less tiring. (Shotgun hunters might find that suspenders get in the way.) A belt in addition to suspenders is a good idea for big game hunters to use for dragging a kill back to camp, or hanging a kill.

Tip to deer hunters: Don't wear new corduroy—the swishing noise is a dead give-away to the game.

The hunting outlook for this year should whet your appetite, according to a nationwide survey by Winchester. Here is the situation:

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

SEPT. 20, 1958

Small game and birds. **Rabbit**—a drop in number in only one state, Wyoming; **Squirrel**—a drop in number in Ohio only; **Grouse**—national trend up, except in Wisconsin; **Quail**—an increase in the Southwest, Illinois, Iowa, Kentucky, Massachusetts, Oregon, Virginia, and Wisconsin, with fewer birds in Florida, Indiana, and Mississippi; **Pheasant**—an increase in Indiana, Iowa, Michigan, Minnesota, Montana, Oregon, South Dakota, and Wyoming, with a decline in California, Colorado, Mississippi, and New York; **Wild turkey**—an increase in the Southwest, Colorado, and South Dakota, with fewer birds in Arkansas, North Carolina, and Virginia.

Big Game. **Deer**—an outstanding season ahead, with only New York and Wyoming herds down slightly; **antelope, bear, boar, elk, mountain goat, and mountain sheep**—all generally favorable, about the same as in 1957.

—●—

If you're on a company expense account, chances are you are reimbursed for all your expenses. However, if you have additional business expenses, not reimbursed, you may want to deduct them on your income tax return.

A business executive in this category should be aware of the new IRS regulations on unreimbursed expenses (BW—Aug.30'58,p72). This is especially important if you use credit cards.

Here's what you are going to have to show on your income tax return if you claim such a deduction:

- All amounts reimbursed or advances received.
- Total business expenses incurred—including those through credit card charges paid for by your company. (These must be listed in broad expense categories.)
- Your occupation and the number of days away from home if you traveled.

The new regulation generally provides that an employee who accounts to his employer for reimbursed business outlays doesn't have to report them on his tax form. But an employee who gives no such account must report expenses. **Exception:** If you receive fixed expense allowances not exceeding \$15 a day for meals and lodging, or 12½¢ a mile for transportation, you needn't report the expenses.

—●—

Europe-bound? Thirteen Western European railroads will jointly issue a new "single ticket" to travelers from the Western Hemisphere. Eurailpass provides for two months of unlimited travel, first class, on 100,000 miles of railway in Austria, Belgium, Denmark, France, West Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

The pass covers all seat reservation charges and extra fares on crack trains. It goes on sale in the U. S. and Canada—through regular travel agents—next Jan. 1, for travel starting Mar. 1, 1959.

The price: \$125 for adults; \$62.50 for children under 10.

—■—

After a 30-year eclipse, derbies will be back in style this season. With narrower brims, they're more streamlined than ever before, lightweight and "crushproof" (they'll snap back into shape). Black is forecast as the most popular color but coming up in the stretch will be shades of gray, chocolate brown, and navy blue.

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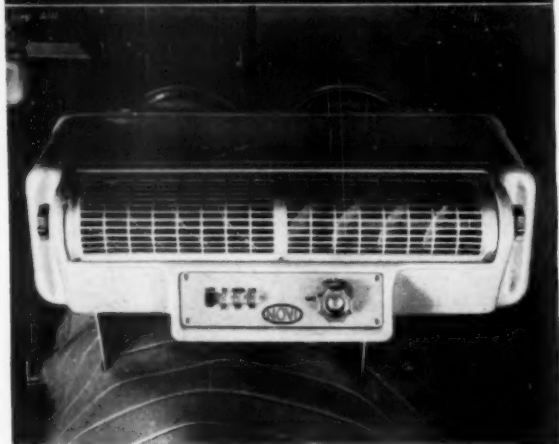
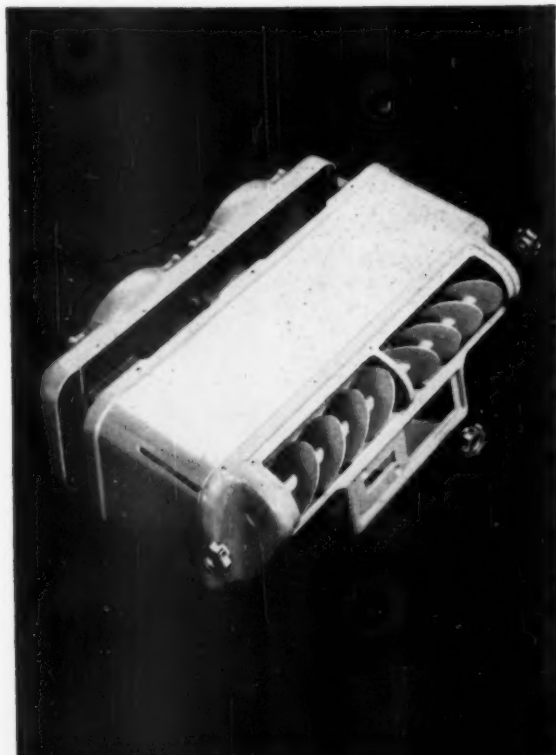
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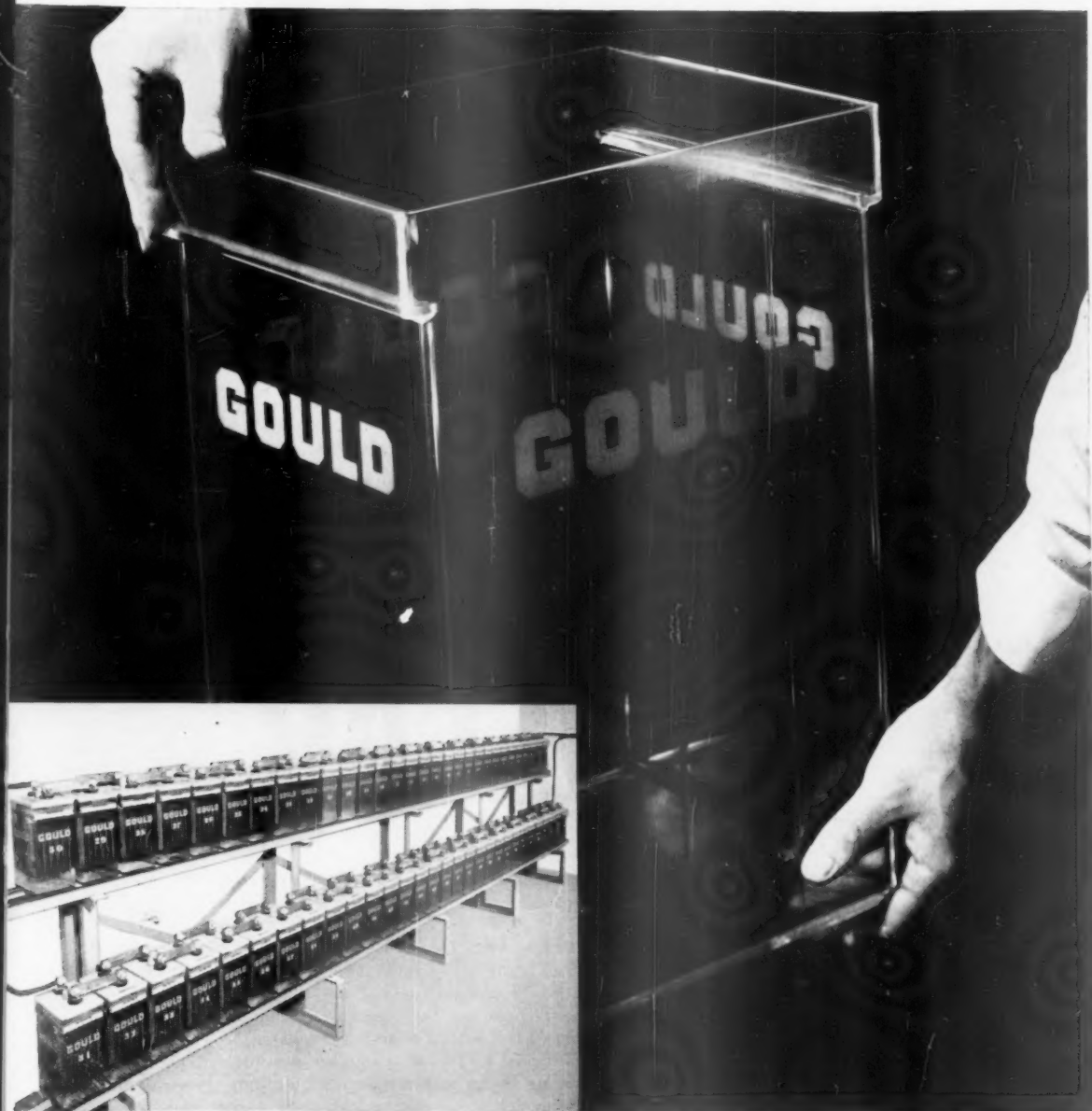
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India's No. 1 Tax Target

The Nizam of Hyderabad, stripped of his princely power but not his wealth 10 years ago, is under continual harassment by revenue collectors.

Nawab Sir Mir Osman Ali Khan (picture) is India's richest citizen. But he also is the Indian most pestered by New Delhi's myriad taxes.

Ten years ago, following India's independence from the British, the government stripped Sir Mir Osman Ali of his power over the State of Hyderabad. Yet he clung to the former title of His Exalted Highness the Nizam of Hyderabad and Berar—and to his vast riches. Today, he is still worth an estimated \$1.2-billion in jewels alone, possibly as much as \$450-million in real estate, industrial securities, and trust endowments.

• **Tax Dodger**—While he used to run Hyderabad in south central India as if it were a feudal fief, the Nizam now spends most of his time in idle recreation. He seems to feel that his main job is dodging India's stiff taxes.

At the moment, he is winning a small battle in defiance of the new "expenditure" tax. The bite is big: 100% on all expenditures over \$16,800.

But that's only the latest chapter of the story. When, at the time of independence, the Indian government welded the 700 princely states to what had been British India, it granted the Nizam an annual, tax-free stipend of \$1,050,000. That was to compensate for loss of his privy purse.

• **New Law**—All was well until New Delhi recently passed the "expenditure" tax. By this, the government, struggling under the \$9.6-billion burden of the Five-Year Plan, hoped to channel some of the Nizam's stipend—and stipends of other princes—into its coffers.

The Nizam wasn't prepared to accept that. So he got one of India's best lawyers to take his case to the Supreme Court. Gwalior Maharaja, another of India's 50 or so millionaire princes, backed up the Nizam. They argue that the tax violates the spirit of the constitutional guarantee protecting the government's stipends from the Internal Revenue Dept.

• **Change of Heart**—This week the argument was gaining ground. In a turnabout, the department tentatively agreed to sign pacts with the former princes, limiting the tax on stipends.

The Nizam doesn't fight taxes all the way down the line. He pays taxes on dividend income from industrial securities. The size of these holdings is large

enough to shoot prices up or down when his brokers buy or sell. He owns nearly \$3-million worth of stock in Tata Locomotive & Engineering Co.

Still, the Nizam is out to pay minimum taxes. True, almost all his recognized official residences and part of his jewelry are exempt from the "wealth" tax. But personal taxes in India run up to 84% for unearned income, 77% for earned income. And the government treats capital gains as ordinary income for taxation above the tiny exemption limit of \$1,050.

• **Evasion Through Trusts**—To try to cut down on his tax bill, the Nizam has transferred \$105-million worth of assets into a trust endowment for his dependents. He has no end of dependents—three official wives, 42 begums (ladies of high rank), 33 children, and 46 grandchildren. Besides that, he has around 1,000 servants.

For their upkeep, he has the stipend, plus a \$525,000 yearly grant from the government to replace loss of revenue from 1,961 villages formerly part of his crown lands. But New Delhi goes after him even on gifts to dependents—the new "gift" tax ranges from 4% to 40% on handouts above \$2,100.

The Nizam's friends sympathetically point out that only two years ago, he added to his household 200 "khanzadas"—poor boys for whom he provides housing, education, clothes (\$5,250 spent monthly just for this), and even women to marry. All he seeks is that they remain for life in his palace, though obligated to salute him each morning with all his old titles.

• **The Old Days**—For the Nizam, life in modern India is quite a change from the old days. His Exalted Highness, along with some 1,100 other Moslem noblemen, used to control most of Hyderabad, a state the size of Great Britain. The population of 17-million, 87% Hindu, lived in poverty.

The Nizam, through inheritance and purchases, boasted an extraordinary collection of pearls, emeralds, diamonds, and other gems. For instance, he owned a drinking cup made from a single flawless blue sapphire. But the Nizam shared little of his wealth. He rarely wore his jewels, and often didn't seem to care whether his clothes were clean.

Though his idiosyncrasies haven't changed much since 1948, his way of life is far different. He lives in King Kothi, a vast ramshackle mansion set behind massive walls. Forced virtually at gun point to give in to republican India 10 years ago, he no longer has a state to rule. (The State of Hyderabad has since been carved up to include the State of Andhra Pradesh.) He reportedly



RICHEST MAN in India, the Nizam of Hyderabad, balks at paying taxes levied by New Delhi this year.

caches some of his treasures in Falaknoma Palace in Hyderabad—formerly a guest house for British viceroys—but nobody ever sees them.

• **Communist Target**—His wealth is a target of the growing Communist Party, whose membership has nearly doubled in the last year in Andhra State alone. Prime Minister Nehru has formally asked the Nizam and other princes to make voluntary cuts in their stipends. A few of the younger ex-princes have made peace with New Delhi—but not the elderly Nizam.

Police recently raided the home of his financial adviser. They suspected the Nizam had been salting away some of his riches abroad. But the Nizam claims he is having trouble enough maintaining his mansion in "Embassy Row" in London. He grumbles about the debts accumulated by two of his high-spending sons. Recently, despite his own \$1-billion-plus fortune, the Nizam declared in a huff that he no longer would be responsible for his sons' squandering. **END**



MOSCOW HOUSEWIVES do their wash by hand, but some get a break now that U. S.-built automatic laundry (in crates) is operating.



U.S. BUSINESSMAN Romaine Fielding explains laundry to workmen and officials.

NEW LAUNDRY gives one-day service, charges two rubles (50¢) for 2 lb. of wash.

Chasing Soviet Washday Blues

While rejecting capitalist principles, the Soviet Union accepts capitalist goods—even the lowly laundry machine (pictures).

In Moscow this week, Russian housewives were watching demonstrations of an American-built laundry, installed by Romaine Fielding, a laundry equipment distributor from Los Angeles. He hopes that after a two-week trial run, the laundry—brought to Moscow at his own expense—will be bought by the Russians.

• **Trade Negotiations**—Fielding is not the first American to push the hard sell in Moscow since Premier Khrushchev began promoting freer U.S.-Soviet relations. For several years, Pan American World Airways has been negotiating sporadically with the Russians for reciprocal air rights into Moscow. Then, last April, American Express opened a tourist office in the Hotel Metropole, and since then has helped arrange for some 500 Americans to tour Russia and for three groups of Russian tourists to sightsee around the U.S.

More important, U.S. industrialists visiting in Moscow have talked over sales of capital goods with Soviet trade officials during the past year. With the recent relaxation in the East-West embargo on equipment and machinery sold to Russia, U.S. businessmen stand some chance of selling a limited amount of plant equipment to Moscow buyers.

• **Fair Canceled**—Fielding's project grew out of the ill-fated American Trade Fair, which promoter Gottfried Neuberger had planned to hold in Moscow

this summer. When the fair plans fell through, partly because of squabbles with the Commerce Dept., Fielding already had \$32,500 worth of laundry equipment enroute by ship to Helsinki for transshipment via rail to Moscow.

The wooden crates contained a complete automatic laundry. Romaine Fielding & Associates, 39-year-old Fielding's company, already had installed some 180 laundries in California, Arizona, and Nevada over the past decade. The Moscow fair was its first step abroad. Other companies with a stake in the proposed exhibit were Hammond Laundry-Cleaning Machinery Co., Waco, Tex.; Ajax Laundry Press Co., Salt Lake City, Utah; Clayton Mfg. Co., El Monte, Calif.; and Advance Tank & Mfg. Co., Gardena, Calif.

When the fair folded, Fielding decided not to give up. He jammed his crates in a Helsinki warehouse, then hotfooted it to Moscow for talks with the Moscow Soviet (city government), Moscow Chamber of Commerce, and Moscow Laundry Trust.

• **Sales Pitch**—Fielding had a strong sales pitch. In Soviet laundries, where shirts are done by hand, a girl can handle 40 a day. "We can do 40 per hour," Fielding told the Russians. But the Russians, if interested, were also skeptical. "They're great at picking your brains," Fielding recalls. "One engineer really took me apart to see if I knew what I was talking about."

The Russians stipulated these conditions: He would have to put a \$1,000 deposit in the State Bank to help cover

expenses. He could set up the laundry in Block 9, Novye Chermushki, located in a vast, new housing project on the southern edge of Moscow. The Russians would provide the utilities, but Fielding would have to pay for the cost of materials and shipping.

• **Soviet Gets Profits**—The Russians didn't overlook the profit motive. Proceeds from the two-week trial run were to go to the Moscow Soviet.

The laundry arrived Aug. 15—four 30-lb. stainless steel washers, one 90-lb. washer, four dryers, and a shirt-pressing unit. This equipment can handle the laundry of 200 families per day.

A Soviet architect and a contractor were on hand to help fix up the laundry's three rooms. Unexpectedly, a Soviet woman doctor showed up to inquire about the sanitary aspects of the operation—she questioned Fielding about "TB germs." While Russian laundries use boiling water, U.S. laundries—as he told her—operate at lower temperatures, between 140F and 160F.

• **Prospects**—Despite the good reception to his laundry so far, Fielding isn't optimistic about his new "sales territory." "If the Russians buy this one, and no more," he says, "I'm prepared for that. It has mostly been a challenge to my ego."

He has two things in his favor. He learned Russian at Berlitz under the postwar GI Bill of Rights. Another hopeful sign is Moscow's economic plans calling for new laundry facilities. Meanwhile, Fielding is talking to the Russians about a dry cleaning plant. **END**

In Business Abroad

• • •

Ex-Im's \$40-Million Credit to Peru Expands Program of Easing Balance of Payments

With its \$40-million, one-year credit to Peru last week, the Export-Import Bank has once more displayed its expanding role in helping countries relieve strains on their balance of payments.

Traditionally, Ex-Im has financed foreign purchases of U.S. equipment for specific development projects. This spring the bank began broadening out, in line with Under Secy. of State C. Douglas Dillon's aim of coordinating Ex-Im loans with loans made by the International Monetary Fund and the World Bank. Ex-Im has extended balance-of-payments credits to Brazil, Chile, Colombia, and now Peru—and has a similar loan in the works for Uruguay.

Peru's problems stem from a serious crop failure in 1956, depressed world prices of lead and zinc, and the general decline in sales of raw materials. The Peruvian sol has dropped from 19 per \$1 to nearly 25 since the Central Bank "unpegged" it a few months ago. Foreign exchange reserves have been dwindling. There has been a flight of private capital out of the country.

To shore up the economy, the Lima government is tightening private credit, putting a lid on government and development-bank borrowing, and trying to balance the 1959 budget.

Peru, like other lead-zinc producers, may be helped by new agreements reached last week at the U.N. commodity conference in London. The conferees agreed to let copper alone because of the recent market improvement. But they tentatively set production and export limits for countries producing lead and zinc—and laid plans for a lead-zinc study group to analyze market conditions.

• • •

India Considers Purchasing \$100-Million In Goods From Communists

India is reported to have told the Soviet Union that it is prepared to buy \$100-million worth of goods, including steel and fertilizers, over the next 18 months. Apparently this is India's response to Soviet offers for more trade between India and the Communist bloc. In fact, Moscow has told New Delhi that it wants to import from India as much as it exports.

Most East European countries and the Soviet Union have rupee accounts with India. New Delhi says that Moscow's bid for more trade is dictated by the idea that these accounts—replenished from time to time by Indian purchases of Communist goods—could be utilized for larger Communist purchases of Indian primary materials.

Meanwhile, the Nehru government seems interested in getting U.S. financial backing, public or private, for a

new Indian steel mill of 1-million ton capacity. It probably would be part of India's third Five-Year Plan. Building such a mill would require at least \$200-million in outside assistance, plus an additional \$100-million from internal sources.

Already three such mills are being erected, one each with money from Britain, the Soviet Union, and West Germany.

• • •

Israeli Is Reported Ready to Sell State Companies to U.S. Investors

Israel appears headed for a major break with its past economic policy. To encourage foreign private investment, the Tel Aviv government is reported willing to sell as many as 12 state-owned enterprises to a group of U.S. investors. Included in the sale would be the largest industrial company in the country, Fertilizers & Chemicals, Ltd.

The offer by the government is said also to include Delek, the state's corporation for importing, refining, and distributing petroleum, and the Palestine Electric Corp., formerly British controlled and only nationalized a few years ago.

The government's shift away from nationalized industry can be attributed mainly to the huge uninterrupted drain of defense expenditures on Israel's budget. The government is uncertain about obtaining future financial assistance from the U.S., and faces the end of reparation payments from West Germany in 1962. So it has decided to tap foreign companies for larger investments.

• • •

Britain Makes It Easier for Americans To Set Up Shop on Its Shores

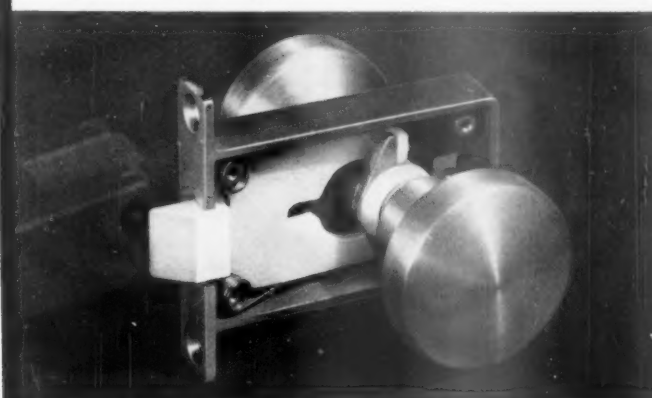
The Macmillan government is making it simpler for Americans to set up manufacturing operations in Britain. Until recently, a foreign company has had to make a case for itself before it could get a license to produce. It had to show that its operations would make a positive contribution to Britain's economy—increase exports, diminish imports, or make a valuable technological contribution to the country.

Now a U.S. company merely has to make application to locate in Britain, and get approval from the government. Getting approval is now considered to be little more than a formality, so long as the company accepts the same requirements as to location that apply to British firms. And along with the new system goes automatic exchange control permission, whereby invested capital or profits can be taken easily out of the country.

Since World War II, Britain has been getting the lion's share of U.S. direct investment in Western Europe. In a book published recently, British economist John Dunning shows that U.S. investment in British industry has passed \$1.2-billion, and has been rising by 10% a year. But with the Western European Common Market now attracting the U.S. investor, Britain apparently has had to cut down the red tape.



HELMET SHELL—"Three times stronger than any previously made"—that's the claim made by Rawlings Sporting Goods Company of St. Louis, Missouri, for this football helmet of Du Pont ZYTEL nylon resin. The helmet is light in weight, abrasion-resistant, molded in one piece.



AIRCRAFT DOOR LATCH—Rattle and buzz of doors in jet transports are a thing of the past with bolt and hub bearing molded as a single, strong part of ZYTEL. (Molded by Teksun, Inc., Los Angeles, California, for Adams-Rite Manufacturing Company, Glendale, California.)



BUSINESS MACHINES—Use of ZYTEL results in lower piece cost . . . higher productivity. Molded parts save material and labor. Machines operate quietly and smoothly. ("Add-Mate" adding machine (bottom) and "Touchmaster" typewriter by Underwood, Hartford, Connecticut.)

Here's how you can

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to replace an assembly of many parts. ZYTEL costs much less than metals such as brass and will often do the job better.

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156 *New Products*

NEW PRODUCTS

Boon for Boats

Newly developed anti-corrosion system provides permanent protection for steel-hulled craft.

A new corrosion protection system called Capac can make a steel-hulled cruiser almost as resistant to corrosion as glass fiber or wooden craft. The first model of the system, devised by Charles Englehard, Inc., was demonstrated last week at the International Nickel Co.'s Harbor Island (N. C.) corrosion testing station.

The heart of the system is a small platinum-clad disk of titanium. Attached to the bottom of the boat hull, the disk acts as an electrical contact with the water. A simple, automatic electrical control system hooked to the electrode maintains a current between the hull and the platinum disk and this has the effect of neutralizing the corrosive effect of sea or fresh water.

• **Basic Principle**—The principle of the system is the technique known as cathodic protection. When different metals are put in a bath of water containing dissolved salts, the metals act like poles of a battery and current flows between them. The metal that acts as the positive pole is eaten away. Much of the corrosion of metal in seawater results from the fact that the metal acts like one pole of such a battery. But, by applying an electrical potential equal and opposite to the one developed by the battery action of the hull, the corrosion effect is all but eliminated.

Previous systems for impressed cathodic protection of boat hulls have used carbon or mild steel electrodes. But these suffer such deficiencies as brittleness or short lifetime. Other techniques, such as those that employ sacrificial anodes of zinc or magnesium, lack the flexibility of an electrical system and, again, require frequent replacement. The Capac system, on the other hand, provides a permanent electrode that is totally unaffected by corrosive water, and is expected to be rugged enough to last the lifetime of the boat.

• **Market Advantage**—The first Capac system devised for small boats has been installed on the cruiser Platanode and has been in operation for several months. The cruiser was built by the Roamer Div. of Chris-Craft Corp.

More complex systems using the platinum-clad electrode system have been in use for the last two years on new naval vessels and a few merchant ships.

Englehard has not yet put a price on the small boat system, but it probably will cost around \$200, according to Vice-Pres. E. P. Anderson. **END**

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•	COST OF POSSESSION	
•	FOR STEEL IN YOUR INVENTORY	
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•	Inventory	_____
•	Space	_____
•	Equipment	_____
•	Cost of operation:	
•	Space	_____
•	Material handling	_____
•	Cutting & burning	_____
•	Scrap & wastage	_____
•	Other costs:	
•	Obsolescence	_____
•	Insurance	_____
•	Taxes	_____
•	Accounting	_____
•	TOTAL	_____
•	COST OF FREEDOM-FROM-RISK STEEL	
•	FROM YOUR STEEL SERVICE CENTER	
•	Per ton, cut-to-size, and delivered	_____
•	TOTAL	_____

C. W. SMITH

For what it's worth...

Why so much emphasis on salvage?

from the CLIENTS' SERVICE BULLETIN
of The American Appraisal Company

The latest income tax regulations provide that "salvage value must be taken into account" in computing allowable depreciation. Furthermore, "in no event shall an asset be depreciated below a reasonable salvage value."

This emphasis on salvage is the logical counterpart of the more liberal definition of useful life as being "not necessarily the useful life inherent in the asset, but the period over which the asset may reasonably be expected to be useful to the taxpayer." If it is company policy to dispose of assets before they are completely worn out, the salvage value may be an appreciable amount. If, however, an asset is used until its life is virtually exhausted, salvage may be no more than junk value.

Our experience shows that depreciable assets generally fall into four major categories:

1. Equipment that is replaced before it is worn out. The amount of salvage depends largely upon company policy as to the length of time the equipment is retained and its prior use.
2. Equipment that is used as long as possible. It seldom has any salvage value over the cost of removal.
3. Equipment with a substantial reclamation value from basic materials such as lead, zinc, copper, and other valuable metals whose salvage value would be based on quoted scrap prices.
4. Buildings and most building equipment items which rarely have any salvage value over the cost of demolition.

It seems apparent from the new regulations that the taxpayer will not be permitted to ignore salvage values when preparing his depreciation schedules. The approach, however, should be realistic, with proper consideration for the various types of assets and for policies about replacements as well as accounting for removal costs.

★ ★ ★

American Appraisal Service furnishes up-to-date, authoritative information about assets, including the adequacy of depreciation provisions. Conclusions are reached only after careful consideration of all factual data. An American Appraisal report represents more than 60 years of experience in the field of valuation for purposes of taxes, property control, accounting, insurance and corporate financing.

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Drafting on Film

A technique for setting type photographically turns out diagrams of electrical circuits more cheaply.

Modern technology may have found a way to eliminate draftsmen's drudgery. A mechanical process for making electrical circuit diagrams has been developed by Intertype Co., a Brooklyn (N.Y.) division of Harris-Intertype Corp., and the industry control department of General Electric Co., Roanoke, Va. It's expected to be applicable to many other forms of drafting as well.

The system is a new twist on a process several years old—photo-composition, or making type on film instead of in hot lead. Intertype's Fotosetter is very much like an ordinary typesetting machine, but its matrices, instead of being hollow molds for lead type, each contain a film negative with the image of a letter—or, in the case of the new system, of the symbol for a piece of equipment such as a resistor, transistor, or coil. When the different images are put together properly, you get a photograph of a complete circuit diagram or a complete page of text.

General Electric says the system is cheaper than manual drafting procedures and produces a diagram that's sharper and easier to read and handle.

• **The Way It Works**—Here's how the process works: The engineer makes his free-hand sketch of the circuit on a special form, similar to graph paper.

The operator "types" out the circuit on the keyboard by pressing the appropriate keys for symbols and connecting lines, until the diagram is completed. Each key brings the appropriate matrix before a camera, which photographs the symbol; the matrix then goes back to its magazine to be used again. The result is a film positive.

When the entire circuit has been "set," the film positive is removed and developed in a darkroom. It then goes back to the machine, so the operator can accurately compose on another positive all the information that goes on the diagram in text form. When this is developed, it must be combined with the first positive to make the final diagram, with both symbols and identifying material in the right places. GE does this by overlaying the two positives with another film and making contact prints.

A Fotosetter machine costs about \$31,000 or can be leased for \$550 a month. Ordinary matrices cost 55¢ apiece, but electrical matrices so far cost about \$2.50 each, since so few have been made. **END**

Is direct labor a high percentage of production cost?

Would an increased production rate lower cost?

Is machine "idle time" for part loading and unloading high?

Does operator fatigue influence product quality?

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The clank of structural steel and the chatter of pneumatic drills chewing up concrete are drowning out the hum of production equipment in three of Timken Roller Bearing Co.'s Ohio production plants. Out of floor trenches like the one in the picture at the right there will sprout within a few weeks shiny new machine tools, grinding lines, and honing stands—all highly automatic new production equipment.

Before winter's end, Timken will have installed 117 new machines in the three plants. In the Timken tradition, each new piece will bear a placard emblazoned with the price of the tool in 3-in.-high letters—and the dollar signs on the new placards will add up to well over \$3-million.

• **Jog**—Timken's orders for the equipment went out early last spring, in the depths of the recession. The timing was based on the firm conviction of William E. Umstatt, Timken's president, that a recession is pretty good time to buy.

In the recession, though, Timken's order was large enough, when combined with another big order from an automobile company, to cause a distinct upward jog in the index of net new orders for machine tools—a main barometer of the capital goods industry.

In fact, the jog was sharp enough to send statisticians scurrying to see if the index's rise from \$22-million in March to \$29-million in April heralded an end to the recession.

Whether it did or not, Timken's Umstatt was not content to let matters rest there. He followed up his \$3-million-plus springtime splash with a longer-range plan hatched in June. This raised Timken's total capital spending program for this year to a record \$13-million (up from \$10.5-million last year), as part of a \$51-million, five-year retooling plan. Part of the additional money will go to the same three Ohio plants, other slices to other bearing and rock bit plants, the company's steel plants, and overseas expansion.

• **Recession Buyer**—A good part of Timken's timing can be credited to Umstatt's views on recession buying. He believes machine tools made now are of better quality than those made when the market was flush. And he thinks the time to clean up a plant and have it disrupted by machinery replacement is when it's not overrun by customers standing in line for bearings.

Umstatt claims he doesn't expect any price concessions. He feels, though, that he will get a lot better service.

Timken was fortunate enough to find itself in pretty good shape to put in a

big recession-time order. Its cash position is healthy, to say the least. A stock issue last year netted the company more than \$18-million. Its yearend 1957 balance sheet showed cash and securities in excess of \$42-million (almost as much as the whole \$51-million program), and net working capital stood at \$90-million.

• **Standardizing**—But there's more to Umstatt's plans than recession buying. Most of the money will go for modernizing existing plants to conform to a long-range strategy Umstatt calls the Bucyrus Concept. That involves convincing customers to accept standardized bearing sizes so Timken can take advantage of longer production runs on highly automatic equipment.

The name comes from the Bucyrus (Ohio) plant, where Timken makes automobile bearings. When this plant was built in 1950, Umstatt persuaded the auto makers to cut down from over 150 bearing sizes to 15 standard sizes. Then Timken was able to supply them with bearings at 20% less cost. And—in accordance with Umstatt's passion for mechanizing plants to reduce the human work involved in production—one man can do the work six did before.

Then Umstatt persuaded the railroads to get along with five bearing sizes. So the new railroad bearing line opened last May in the Columbus plant takes only 26 men per shift in its six departments. The investment is high, though. The average cost of equipment per man is about \$165,000—more than eight times the steel industry average, for instance.

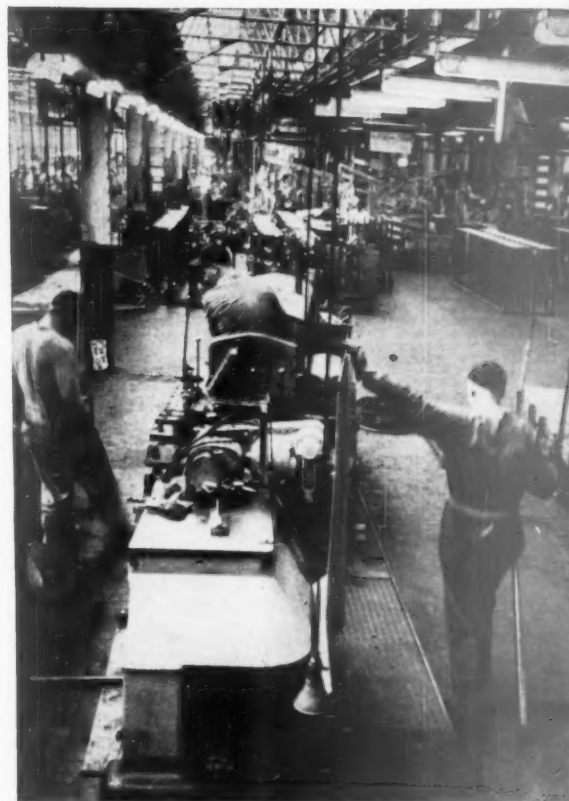
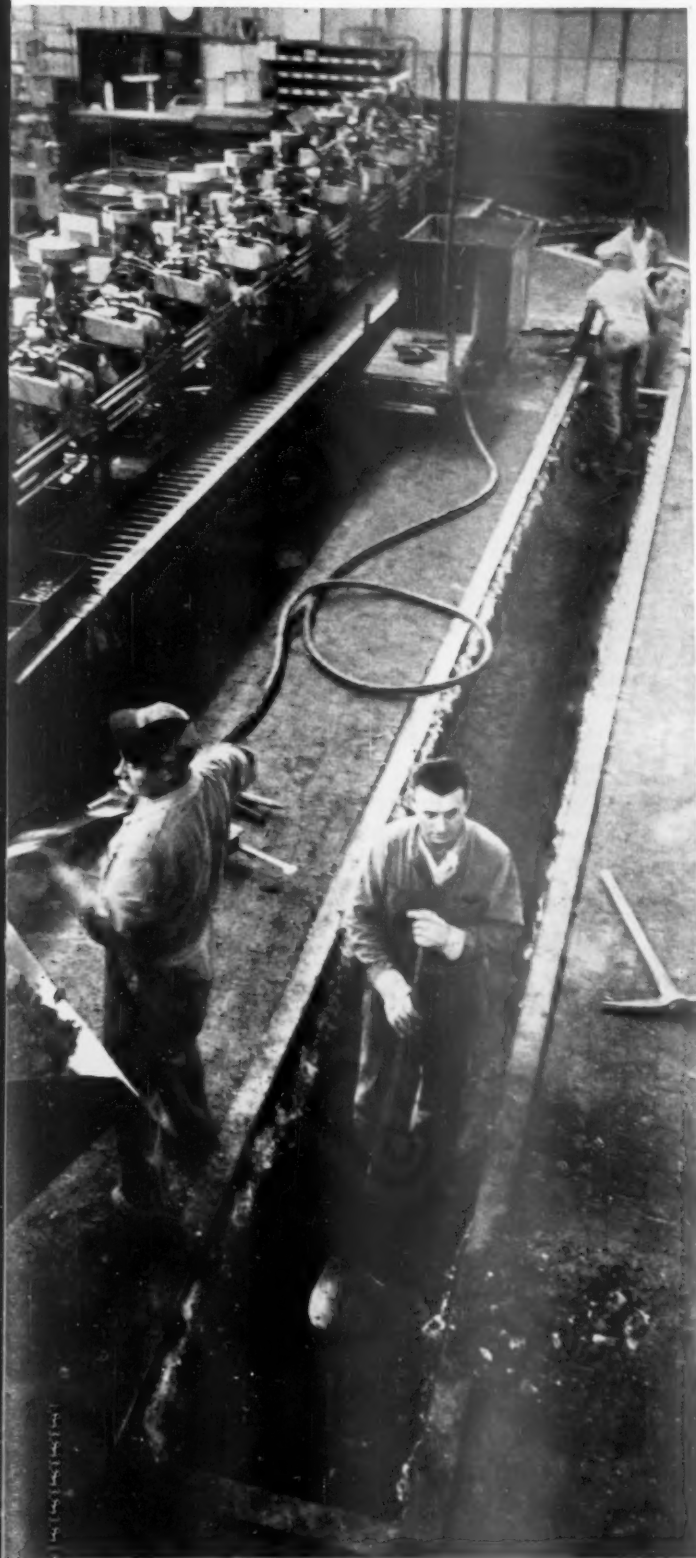
Now Umstatt is carrying the gospel of bearing standardization to other customers, hopes to convince makers of conveyors, industrial trucks, and farm equipment on the merits of standardized bearings. Timken's own expansion plans are tied in with the mechanization that standardization in these lines will permit.

• **Three-Plant Program**—Timken's \$3-million spring order was for grinding and finishing equipment for the Bucyrus, Columbus, and Canton plants in Ohio (it has six other plants in the state). Some parts of these plants were badly in need of new tools; so some of the new automatic machines will merely replace tired old belt-driven machines that look like refugees from Bull of the Woods cartoons. But most of the new equipment is designed to set up new and highly mechanized lines that spit out bearings like bullets with scarcely a hand to tend them.

That kind of equipment requires large orders for standardized sizes.

• **Precise, Expensive**—Such standard-

Speeds Timken's Automatic Look



OLD TOOL heads out of Timken Canton plant, pulled by small tractor, to make way for new.



NEW cone-turning tools, in pre-production run, contrast with belt-driven equipment in background.

TRENCH for new automatic roller honing machines almost undermines older equipment.



Obsoletes 10 million work gloves

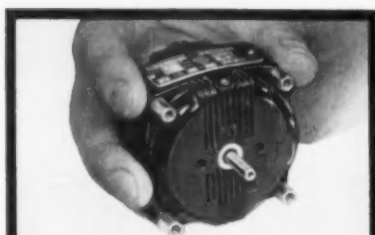
A new Edmont development adds at least 20% to the service life of work gloves bought by you or your employees. Called Extracoat, it is the controlled application of wear-resistant coatings (neoprene, plastic or natural rubber) so as to provide a thicker protective coating on the palm and fingers than on the back. Thus the glove wears longer, yet retains its flexibility. It is as logical as putting tread on a tire. Extracoat further increases the 40% to 70% cost-savings which are typical where Edmont

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ization is perhaps more vital to Timken than to other bearing makers because of the nature of the company's product and the way it is made. As far as bearings are concerned Timken is a one-product outfit. The bearing plants in Bucyrus, Columbus, and Canton turn out only tapered roller bearings. These are arrangements of a dozen or so small, tapered rollers that spin between a cone-shaped core that holds the shaft and a tapered cup-shaped outer race that seats the bearing.

But this one product comes in an infinite number of sizes and shapes, and Timken makes most of them. Nearly every product that has a rotating shaft is a possible application. Making this jack-of-all trades bearing compounds production problems—a steel cone is a lot harder to make than a simple ball or cylinder for ball bearings or roller bearings with cylindrical rollers. Tapered roller bearings combine qualities of both other types.

Making the tapered type takes big, precise, expensive tools. Cups and cones are made from seamless alloy steel tubing (Timken makes its own steel, sells some alloy steel, too); smaller rollers are formed from wire in machines called roller headers. The cups and cones are rough-shaped on automatic screw machines; then the steel is hardened, and grinding wheels and honing machines get surfaces to a mirror finish.

Standardization of sizes, and the consequent lengthening of production runs, enable Timken to apply such techniques as use of preset tools. Most machines at Bucyrus are set to count pieces, turn off, and light a signal when they have run their quota. Then the operator pulls the tool, replaces it with another preset one, and the next cycle starts immediately.

• **New Array**—The grinding sections, requiring the most accurate tools, are getting the bulk of this year's new machines—cup and cone departments get 96 of the 117 tools in the spring order. Many are more or less standard models with a few Timken-designed innovations. Some were designed by Timken's research department.

Umstatted, a stickler for technical secrecy, is loath to talk of them except in general terms, keeps the completed ones under test in Timken's closely guarded research and development section—even Timken employees are barred from the R&D section without a specific "need to know." Only when they have been fully proved out will the machines be moved out to production locations.

But one thing Umstatted freely admits: The machines will be more automatic, more accurate, more productive, than any bearing equipment he now has. **END**



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164 *Production*

THE PRODUCTION PATTERN

Reform of Housing Codes

BUILDING CODES, like sin and the weather, traditionally stir up much talk and little action. This year, however, action may come—at least on codes for one- and two-family houses.

In New York last week, the American Standards Assn. discussed a standard residential building code with representatives of 83 groups. A majority of those voting favored it, but many withheld judgment until a poll by mail can be held. And the principal associations of building officials appeared downright disapproving.

The idea is to reconcile and combine the residential requirements of the four existing model codes—put out by the Building Officials Conference of America, the Southern Building Code Conference, the International Conference of Building Officials, and the National Board of Fire Underwriters—separating them from general construction requirements and providing for annual updating.

It may not be easy to persuade the four groups to get behind a new model housing code. They tend to regard it as an infringement of the work they have already done in setting up model codes. This has led Engineering News-Record, a McGraw-Hill publication, to suggest a merger of the three building officials' groups, and their codes, into one—which would achieve uniformity without adding a new model code.

If they can be swung into line, there would then have to be a campaign to get communities to adopt the code all over the U.S.

IN PRINCIPLE, most people agree that communities have too many different building codes, that too many communities have no codes at all, or poor ones. Where codes are lacking, the way is open for shoddy and dangerous building practices. Where codes are out of date, they prevent builders from using the latest technological advances and inflate building costs by requiring superfluous construction. And the diversity of codes discourages broad standardization of components, assembly-line procedures, and other ways to give

the buyer more for his money.

In practice, some builders and officials scoff at reform. They are used to confusion among codes, which was already notorious in the first postwar building boom (BW—Mar.23'46,p41). And some people oppose new construction materials and methods, either honestly or because they threaten vested interests. Some suppliers of materials, for example, want rules to favor their materials and penalize others; subcontractors and labor leaders often oppose any efficiency moves that might cost them work.

Between inertia and the open opposition of some interests, progress in adoption of building codes has been slow. According to one estimate, out of 37,400 municipalities that could adopt codes, only 3,500 have done so—and only 2,000 of those have adopted any part of a model code.

ECONOMY and technology are coming in more heavily on the side of code reform. ASA's current efforts were inspired by a round-table discussion that was sponsored by House & Home magazine last May.

Panelists discussed new materials, such as plastic plumbing, stressed-skin panels to replace stud wall construction, and the use of adhesives to hold a house together, like a B-58 bomber. They talked of the need for standard modules, interchangeable components, and perhaps more and better prefabrication as steps toward rationalizing homebuilding. Without a uniform code, little can be done along these lines, nor can the greatest economies in building be achieved.

"What would a car cost," a builder asked, "if you had to make one model for Buffalo, another for Cleveland, and a thousand more for a thousand other towns?" According to one guess made at the conference, the waste and confusion of present codes adds \$1,000 to the cost of the average home. A large builder told of having to spend \$12,950 under a restrictive code in a New Jersey town to put up the same house he built for \$11,950 in Delaware.

BUSINESS WEEK • Sept. 20, 1958

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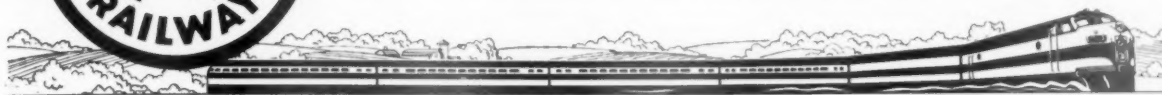
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In Regions

St. Paul Urban Renewal Blocked As Rivals Challenge Sale to Sears

The evident fear of competition from Sears, Roebuck & Co. has prompted merchants in downtown St. Paul to file a suit blocking Sears' purchase of land in an urban renewal project. As a result, St. Paul's whole improvement program is stalled.

Hearings began last week in Ramsey County District Court and are likely to go on for weeks. The 77 plaintiffs include all major Loop department stores.

They seek to prevent the Housing & Redevelopment Authority from selling 13 acres to Sears for a \$4-million store on the edge of the Loop.

The plaintiffs allege that the authority showed favoritism in selling Sears the land at 95¢ a sq. ft., or \$586,736. (There was only one other bid, 50¢ a sq. ft.) They say it's unconstitutional for the authority to condemn private property for resale to profit-making concerns.

Even though the suit is aimed only at the sale to Sears, its effect is to challenge the validity of other title transfers, thus to block resale of land around the Capitol from which slums have been cleared.

• • •

Port Authority and New York City Continue to Compete on Waterfront

The Port of New York Authority last week turned over a new \$5.9-million, two-berth pier in Brooklyn to Norway's Meyer Line amid conjecture that the city government will continue to stay in the port business—competing with the bi-state authority.

Since buying New York Dock Co. property on the Brooklyn waterfront in 1956, the authority has built two piers—of which Meyer's is the second—and hopes to finish three others next year. In all, it intends to replace 25 obsolete piers with 10 larger, more efficient ones.

There has been speculation that the city would sell its piers to the authority in order to devote more funds to building schools and streets.

But the city's own construction activity on the waterfront—including three new piers in Brooklyn and Manhattan—along with recent remarks by city officials, is interpreted as a sign that the city is less inclined to negotiate. Since 1957, it has been able to build port facilities with revenue bonds outside its debt limit.

• • •

City and County in Seattle Area Set Up New Kind of Sewage District

Voters in the Seattle area last week approved, by a 3-to-2 margin, the creation of a metropolitan govern-

MORE NEWS ABOUT REGIONS ON:

- P. 170—New interest in the local economies that make up the national whole.

ment to cope with pollution of Lake Washington and Puget Sound. The vote gives new hope to advocates of government structures that cut across city limits.

A similar proposal last March failed to get the required separate majorities in Seattle and in the county outside. To put this one over, areas of the county that were strongest in opposition last March—because they weren't concerned with pollution—were gerrymandered out of the district, and the new government was confined to dealing with the sewage problem. The March proposal would have given it power also to provide mass transit and areawide planning.

In creating the agency to build a metropolitan sewer system, voters consented to accept new sewer charges. But Seattle suburbs continue, in effect, to have veto powers. Eight of the 15 members of the board will be from Seattle, but a two-thirds vote will be required to authorize bond issues. Engineers estimate it will cost \$80-million to build sewers and treatment plants.

If Seattle's Metro works out well, a subsequent vote could expand its authority to other fields. But there is no talk of that now.

In Miami, where the nation's first multi-power metropolitan government has been in operation for a year, the campaign is warming up for a Sept. 30 vote on an amendment that would restore autonomy to Dade County's municipalities and weaken the County Commission.

• • •

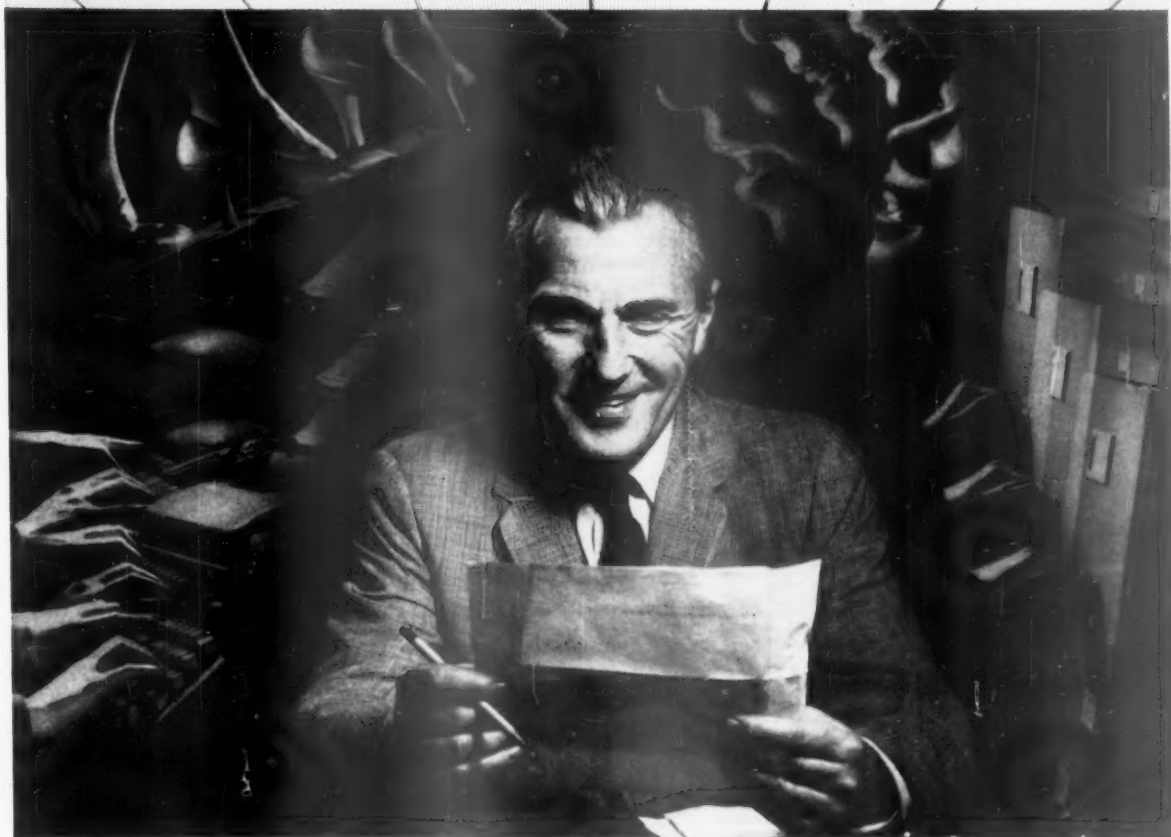
Migration of Rural Southern Negroes Has About Exhausted the Supply

Negro migration from Southern farms is stopping because the number of rural Negroes in the South has dwindled to a hard core that is not likely to migrate, according to Dr. Irene B. Taeuber, population research associate at Princeton University.

In a paper read at the National Urban League conference in Omaha last week, she also made these points:

- In the South, Negro population is moving from field to city but has remained fairly constant. The increases have occurred in the North and West.
- The continuing decline of white populations and the rapid increase of Negro populations will eventually lead to transfer of political power in some cities.
- In many areas, the disadvantages of the Negro have lessened and his similarities to whites have increased but, in others, Negroes have resisted changing their rural Southern way of life. Negro parents tend not to conform to the urban ideal of small families. So disproportionate numbers of children come from the group least able to give them adequate opportunity.
- Negro families also continue to be less stable, with a disorganized family structure that may have been workable in Southern rural environment but that produces problem children in the more complex city life.

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THE REGIONS PATTERN

Guiding Local Economies

THE NATIONAL ECONOMY can scarcely make a move without stirring up a swarm of kibitzers. But smaller economic units—groups of states, groups of cities, or single municipalities—can fall flat on their faces without anyone's turning a hand, or even asking what ails them. Neither our federal structure nor our habit of mind is geared to cope with these lesser economic units, yet the cumulative effect of their economic misadventures can easily shackle the business growth of the whole nation.

A first effort to cure this parochial weakness was launched last year by the Committee for Economic Development, when it set up its Area Development Div. So far, the division has barely dented a field where just defining the goals is a major task—and a task made harder by the great number of people who think the whole subject begins and ends with luring some new industries to a given area.

The Area Development Div. has been working along two lines. It has commissioned outside researchers to report on such subjects as (1) the changing economic functions of the central city; (2) the impact of the suburban boom on local governments; (3) urban renewal; (4) transit. And CED's own staff is compiling an inventory of the vast miscellany of local development efforts by states, cities, chambers of commerce, planning boards, utilities, and railroads. Ultimately, the CED trustees are expected to issue broad policy statements, while there will be a listing of local plans that have worked and plans that have failed.

ONE FACT has already emerged: More and more public and private agencies have been attacking the question, but very seldom have the public and private people gotten together in the work. Business communities remain remote from local government, except in such rare cases as Pittsburgh and Newark, where there is effective working relationship, and Dallas, where businessmen are members of the city council.

It's not clear whether businessmen dislike dealing with politicians

or lack the data to form opinions—and the lack is general—or just don't care. Whatever the reason, most local decisions on urban renewal and federal highways, on zoning laws or on tax exemption for industries, are being made by politicians for political reasons, with hardly a glance at potential economic effects that may determine the whole future of the community.

Last week, CED made public its first effort at shaking this business indifference: a 60-page pamphlet called *The Little Economies*, containing five briefings given last May to CED.

The five briefings make no claim to having all the answers, but they do raise, and define, many of the questions. In one, Dr. Raymond Vernon gives the first impressions gleaned by his staff's New York Metropolitan Region Study. Dr. Luther Gulick, president of the Institute of Public Administration, deals with the meaning of the flooding expansion of metropolitan areas for government. Arthur B. Van Buskirk, vice-president of T. Mellon & Sons, reports on business-government collaboration in Pittsburgh, while Pres. H. Bruce Palmer of Mutual Benefit Life Insurance Co. writes of similar work in Newark. What state government can do is discussed by Pennsylvania's Commerce Secy., William B. Davlin.

The very limitations of the answers that experts such as these can offer stress the complexities that businessmen must face in coping with urban development. But one thing does come clear—that real progress can be attained only by working through the political structure.

FOR A NATIONAL APPROACH to local problems, the feeling is that businessmen must enlist and guide the work of the federal government.

At the same time, business wants no part of centralized Washington direction of local efforts. In a foreword to the report, CED Chmn. Donald K. David flatly rejects the idea of turning the whole local problem over to a Federal Redevelopment Administrator.

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Meeting the New Communist Thrust

Once again the U. S. is engaged directly in a test of strength with the Communist bloc. In the Formosa Strait today, as in Korea eight years ago, we are faced with Communist aggression. Backed by its Soviet ally, Red China is using armed force in an attempt to turn the power balance in the Pacific against the West.

The Eisenhower Administration has met this new Communist thrust in the only manner consistent with the commitments this country has assumed as leader of the Free World. In his address to the nation last week, Pres. Eisenhower stated explicitly that the U.S. would fight rather than see Communist China get away with its grab for the offshore islands, and thus for Formosa. However, the President made it equally clear that, unless the Communists choose war, we are prepared to negotiate a settlement of the Quemoy-Matsu issue, removing it as "a thorn in the side of peace." Thus, he left it up to Peking to decide whether it wants to use the ambassadorial talks now under way in Warsaw for serious negotiation or merely as a device to distract world attention from its aggressive ambitions.

Since Peking has wasted no time in starting these talks, it is possible that a negotiated cease-fire may be in the offing. That would be all to the good. We do not go along with those people who think every negotiation means a Munich. They forget that, with the U. S. Seventh Fleet ready for action, the U. S. can negotiate from strength, which wasn't the case with Britain in 1938. So, for our money, the "shoot-firsters" are as far off base as those Americans who argue that Washington is running unnecessary risks for several tiny, indefensible islands.

There can be no doubt, of course, that the Administration is taking formidable risks with its present policy in the Formosa Strait—risks that would be unwarranted if the stakes were not high. But the stakes are high. They encompass not only the immediate Free World position in the Pacific but the very prospect of peace in an H-bomb age. That is why the governments of our principal allies, such as the Macmillan government in Britain, refuse to heed the popular alarm over our policy.

Surely there can be no one today who doubts that a Communist military victory in the offshore islands would both whet Peking's appetite and weaken the position of non-Communist governments throughout Southeast Asia. Let a process of retreat once get started, and even Japan—the one real industrial complex in Asia and the logistic base for the U. S. Seventh Fleet—might decide that it had to make terms with the Sino-Soviet bloc.

But Eisenhower and Secy. of State Dulles are not thinking simply of the need to maintain Free World positions in the Pacific. They have an even larger

purpose in mind—to gain worldwide adherence to a "no force" doctrine under which even the Communist powers would forswear the use of military force to achieve territorial or other ambitions. Given the record of International Communism, it may seem like starry-eyed idealism for the Administration to try to get acceptance for this "no force" doctrine. But unless some such principle is accepted, and adhered to, the world will live indefinitely under the threat of an H-bomb war—and peaceful coexistence will remain a pipedream.

What Caused the Deficit

Ask the next man you meet why the federal budget is running a \$12-billion deficit in the current fiscal year; the chances are he will tell you that it's because we had to step up our defense spending in response to Red aggression and the Sputniks.

To see how far wrong he is, take a look at the figures just compiled by the Budget Bureau in its midyear review of the government's finances:

SPENDING	January Estimate (Billions)	Current Estimate	Change
National security	\$46.3	\$46.8	\$.5
International affairs	1.3	1.4	.1
Veterans	5.0	5.2	.2
Labor and welfare	3.6	4.3	.7
Agriculture	4.6	6.4	1.8
Commerce and housing	1.8	3.9	2.1
Interest	7.9	7.6	-.3
Other	3.4	3.6	.2
TOTAL	73.9	79.2	5.3
REVENUES			
Individual income taxes	\$38.5	\$36.0	-\$2.5
Corporate income taxes	20.4	16.7	-\$3.7
Excise taxes	9.3	8.4	-.9
Other	6.2	5.9	-.3
TOTAL	74.4	67.0	-7.4

There are several morals buried in these figures.

One is that stepped-up defense has little or nothing to do with the current deficit. Congress added only \$500-million to the defense budget as Pres. Eisenhower submitted it in January. But it light-heartedly boosted other expenditures \$4.8-billion. Most of this additional spending went into handouts for the farmers, into public works, into government pay raises.

Even so, the biggest part of the deficit—nearly \$7½-billion—arises not from higher spending but from the slump in tax collections. And this dramatizes the simple fact that the U. S. is geared to growth and expansion. Whenever it lets the growth process slow down or stop, it pays a penalty. Only a fraction of that penalty shows in the government budget, but even that fraction is enough to show how painfully expensive a recession is.

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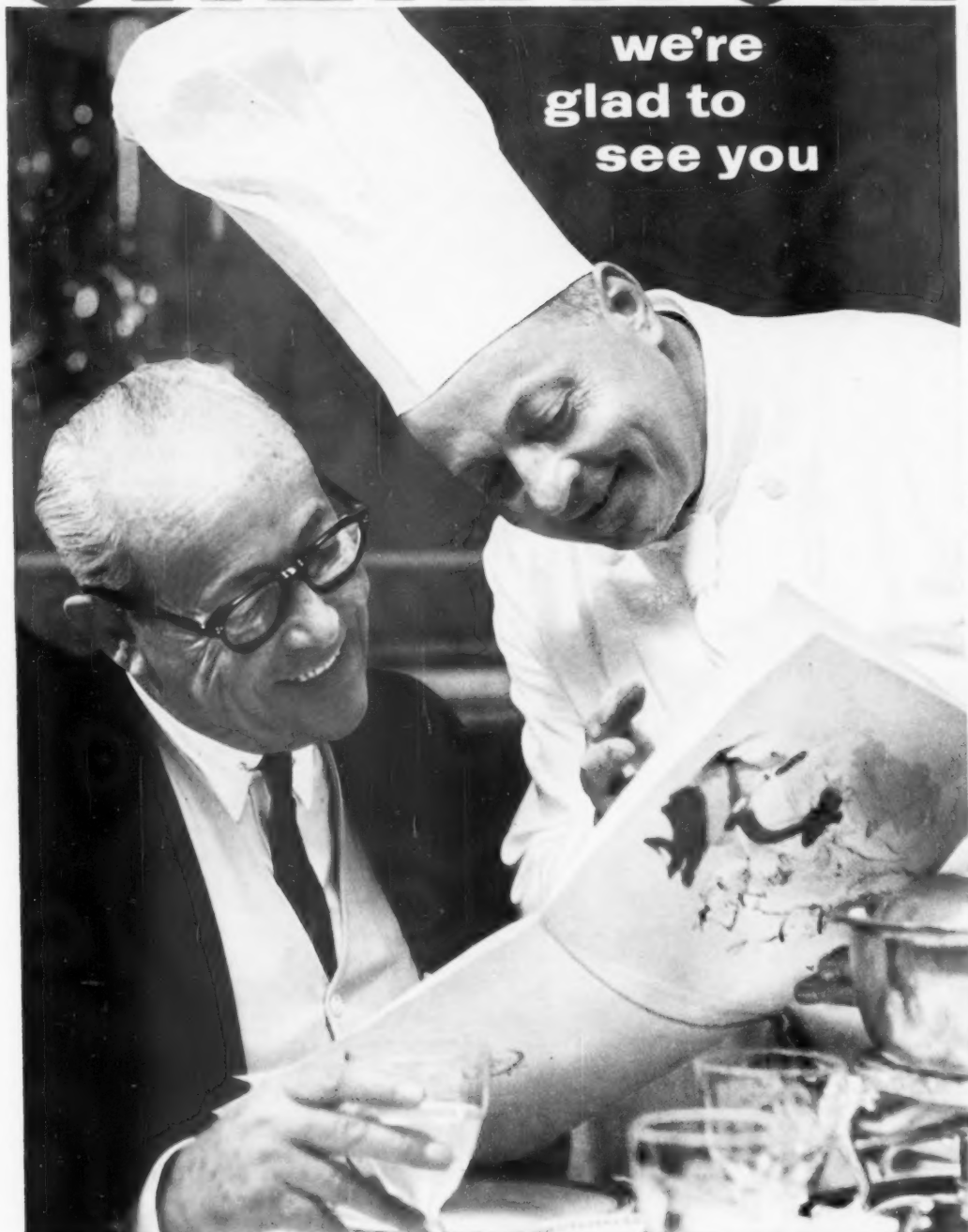
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